BEYOND BOUNDARIES®

UMW HOLDINGS BERHAD (090278-P)
Annual Report 2013

BEYOND BOUNDARIES®

In tandem with UMW's growing presence in the global arena, its workforce has embraced the rallying call - *Beyond Boundaries®*.

Beyond Boundaries® is not just about transcending geographical barriers, it is also about removing the boundaries of our minds and overcoming all obstacles that stand in our way - whilst upholding our core values of being HONOURABLE, VIBRANT, UNSHAKEABLE and PIONEERING.


Taiwan
Singapore
India
Turkmenistan
Myanmar
Thailand
Australia

INSIDE this report

32ND
ANNUAL GENERAL MEETING

UMW Auditorium
UMW Holdings Berhad
No. 3, Jalan Utas (15/7)
Batu Tiga Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan
Malaysia.

Thursday, 19 June 2014 at 10.00 a.m.

BEYOND BOUNDARIES®

AUTOMOTIVE

UMW assembles, markets and distributes some of Malaysia's most popular passenger cars and commercial vehicles.

AUTOMOTIVE

OIL & GAS

EQUIPMENT

MANUFACTURING & ENGINEERING

UMW

OUR PROMISE

Together, we play a leading role in shaping the future of our industries globally. We do this by inspiring vibrant ideas, nurturing potential, pioneering partnerships and delivering excellence in everything we do, the rewards of which contribute to the progress and well-being of all our stakeholders.

HONOURABLE

Our enduring commitment to integrity and trust.

VIBRANT

Our contagious energy and appreciation of fresh thinking.

UNSHAKEABLE

Our unwavering resolve and commitment in everything we do.

PIONEERING

Our visionary approach to developing and shaping our industries.

BEYOND BOUNDARIES®

OIL & GAS

UMW Oil & Gas complements the robust upstream activities of the oil and gas industry through offshore drilling, hydraulic workover services and oilfield services.

OIL & GAS

EQUIPMENT

MANUFACTURING & ENGINEERING

UMW

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PIONEERING

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BEYOND BOUNDARIES®

EQUIPMENT

UMW distributes world-renowned brands of industrial, material handling, power and heavy equipment.

EQUIPMENT

MANUFACTURING & ENGINEERING

UMW

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Our visionary approach to developing and shaping our industries.

BEYOND BOUNDARIES®

MANUFACTURING & ENGINEERING

UMW supplies innovative components and markets trusted brands and specialised equipment for the original equipment and replacement automotive markets, transport sector and the petrochemical industry.

MANUFACTURING & ENGINEERING

UMW

OUR PROMISE

Together, we play a leading role in shaping the future of our industries globally. We do this by inspiring vibrant ideas, nurturing potential, pioneering partnerships and delivering excellence in everything we do, the rewards of which contribute to the progress and well-being of all our stakeholders.

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UNSHAKEABLE

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PIONEERING

Our visionary approach to developing and shaping our industries.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of the Company will be held at the UMW Auditorium, **UMW Holdings Berhad**, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, on Thursday, 19 June 2014 at 10.00 a.m. for the following purposes -

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who are retiring in accordance with Article 109 of the Company's Articles of Association -

   (a) Rohaya binti Mohammad Yusof **Ordinary Resolution 1**
   (b) Tan Sri Hasmah binti Abdullah. **Ordinary Resolution 2**
   [Please refer to Explanatory Note (a)(i)]

3. To re-elect the following Directors who are retiring in accordance with Article 123 of the Company's Articles of Association -

   (a) Dr. Leong Chik Weng **Ordinary Resolution 3**
   (b) Dato' Mohd. Nizam bin Zainordin. **Ordinary Resolution 4**
   [Please refer to Explanatory Note (a)(ii)]

4. To approve Directors' fees of RM908,340 for the year ended 31 December 2013. **Ordinary Resolution 5**

5. To re-appoint Messrs. Ernst & Young as Auditors for the ensuing financial year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications -

   (a) Re-appointment of Tan Sri Asmat bin Kamaludin as Director of the Company in accordance with Section 129(6) of the Companies Act, 1965

   "THAT Tan Sri Asmat bin Kamaludin be re-appointed as Director of the Company in accordance with Section 129(6) of the Companies Act, 1965." **Ordinary Resolution 7**
   [Please refer to Explanatory Note (a)(iii)]

   (b) Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

   "THAT the mandate granted by the shareholders of the Company on 27 June 2013 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and its subsidiaries ("the UMW Group") to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.1.1 (b) of the Circular to Shareholders dated 27 May 2014 ("the Circular") with the related parties mentioned therein, which are necessary for the UMW Group's day-to-day operations, be and is hereby renewed, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company,

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the authority conferred by such renewed mandate shall continue to be in force until -

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming Thirty-Second AGM, at which time it will lapse, unless by a resolution passed at a general meeting, the mandate is again renewed;

(b) the expiration of the period within which the next AGM is to be held, pursuant to Section 143(1) of the Companies Act, 1965, (but shall not extend to any extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest,

AND THAT the Directors of the Company be and are hereby authorised to complete and do such acts and things as they may think expedient or necessary (including executing such documents as may be required) to give effect to the Proposed Shareholders' Mandate,

AND THAT the estimates given on the recurrent related party transactions specified in Section 2.1.1 (b) of the Circular being provisional in nature, the Directors or any of them be and are hereby authorised to agree to the actual amount or amounts thereof, provided always that such amount or amounts comply with the review procedures set out in Section 2.1.3 of the Circular."

Ordinary Resolution 8
[Please refer to Explanatory Note (b)]

7. To transact any other business for which due notice has been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the Thirty-Second AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 75(a) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 12 June 2014. Only a depositor whose name appears on the Record of Depositors as at 12 June 2014 shall be entitled to attend the said meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

By Order of the Board

FADZILAH BINTI SAMION
Secretary (MACS 01262)

27 May 2014
Shah Alam, Selangor Darul Ehsan.

NOTICE OF ANNUAL GENERAL MEETING

Notes

(a) A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(b) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(c) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(d) The proxy form must be signed by the appointer or his attorney duly authorised in writing or in the case of a corporation, executed under its common seal or attorney duly authorised in that behalf.

(e) All proxy forms must be deposited at the Registered Office of the Company at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Explanatory Notes on Special Business

(a) Re-election of Directors/Re-appointment of Director

(i) Article 109 stipulates that new Directors appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall be eligible for re-election.

(ii) Articles 123 and 125 expressly state that at every AGM, at least one-third (1/3) of the Directors for the time being, shall retire from office and shall be eligible for re-election.

(iii) Section 129(6) of the Companies Act, 1965 stipulates that a Director who has attained the age of 70 years or over the age of 70 years may be appointed or re-appointed as a Director of the Company by a resolution duly passed by a majority of not less than three-fourths (3/4) of such members of the Company as being entitled to vote in person or by proxy. Such Director will hold the office until the conclusion of the next AGM.

The Board agreed with the Nomination Committee's recommendation that all the Directors who are retiring under Articles 109 and 123 of the Articles of Association of the Company and under Section 129(6) of the Companies Act, 1965, are eligible to stand for re-election and re-appointment based on the results of their individual assessment.

(b) Proposed Shareholders' Mandate

The Board proposes to renew the mandate granted by the shareholders of the Company at the previous AGM of the Company held on 27 June 2013. The Proposed Shareholders' Mandate will enable the UMW Group to enter into any recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the UMW Group, involving related parties, as detailed in the Circular to Shareholders dated 27 May 2014.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of Directors seeking re-election/re-appointment as mentioned in the Notice of Annual General Meeting are set out in their respective profiles which appear in the Directors' Profile on pages 12 to 20 of this annual report. Directors' interests in the securities of the Company are disclosed on page 102 of this annual report.

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED/ENDING	31 DEC 2013	31 DEC 2014
Announcement Of Results		
First Quarter	23 May 2013	23 May 2014
Second Quarter	30 Aug 2013	Aug 2014
Third Quarter	21 Nov 2013	Nov 2014
Fourth Quarter	26 Feb 2014	Feb 2015
Issue Of Annual Report And Financial Statements	4 Jun 2013	27 May 2014
Annual General Meeting	27 Jun 2013	19 Jun 2014
Dividends		
Interim		
- Declaration	30 Aug 2013	
- Payment	8 Oct 2013	
Second Interim		
- Declaration	21 Nov 2013	
- Payment	20 Jan 2014	
Special Interim		
- Declaration	21 Nov 2013	
- Payment	20 Jan 2014	
Third Interim		
- Declaration	26 Feb 2014	
- Payment	25 Apr 2014	

SUMMARY OF GROUP RESULTS

FINANCIAL YEAR ENDED		2013	2012*
Revenue	RM'000	13,951,460	15,816,888
Profit Before Taxation	RM'000	1,435,673	2,020,276
Net Profit For The Year	RM'000	1,084,212	1,588,807
Share Capital	RM'000	584,147	584,147
Reserves	RM'000	5,706,220	4,264,102
Basic Earnings Per Share	Sen	55.9	85.1
Dividend Per Share			
- Gross	Sen	44.0	50.0
- Net	Sen	44.0	50.0
Net Assets Per Share	RM	5.39	4.15

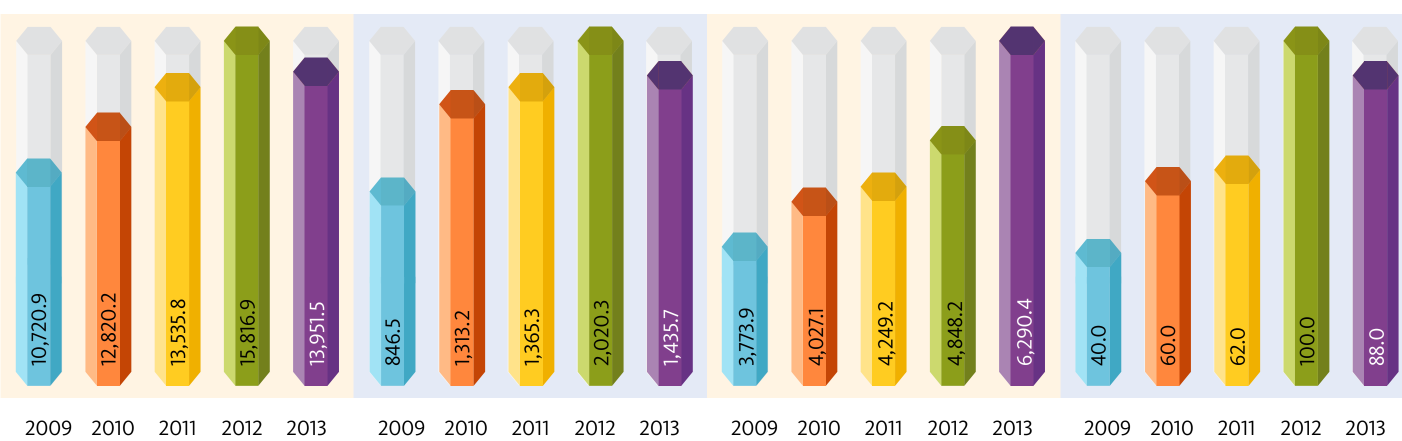
* *The Group's Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income have been adjusted in accordance with MFRS 11 : Joint Arrangements.*

FIVE-YEAR GROUP SUMMARY RESULTS

YEAR ENDED 31 DECEMBER		2009	2010	2011#	2012*	2013
Revenue	RM million	10,720.9	12,820.2	13,535.8	15,816.9	13,951.5
Profit Before Taxation	RM million	846.5	1,313.2	1,365.3	2,020.3	1,435.7
Profit Attributable To Equity Holders Of The Company	RM million	382.4	526.9	485.8	994.3	652.9
Shareholders' Funds	RM million	3,773.9	4,027.1	4,249.2	4,848.2	6,290.4
Return On Shareholders' Funds	%	10.5	13.5	11.7	21.9	11.7
Return On Total Assets	%	9.6	13.1	13.0	17.6	9.8
Dividend Rate - Gross	%	40.0	60.0	62.0	100.0	88.0
Dividend Yield	%	3.38	4.55	4.37	5.79	3.35
Dividend Payout Ratio	%	59.0	75.8	75.2	58.8	78.7
Basic Earnings Per Share	Sen	34.6	46.3	41.6	85.1	55.9
Net Assets Per Share	RM	3.37	3.49	3.64	4.15	5.39
Share Price At Year End	RM	6.35	7.02	7.00	11.94	12.06
Market Capitalisation At Year End	RM million	7,107.6	8,096.9	8,178.1	13,949.5	14,089.7

The Group's Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income have been adjusted in accordance with MFRS 1 : First-Time Adoption of Malaysian Financial Reporting Standards.

* *The Group's Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income have been adjusted in accordance with MFRS 11 : Joint Arrangements.*



REVENUE
(RM mil)

PROFIT BEFORE TAXATION
(RM mil)

SHAREHOLDERS' FUNDS
(RM mil)

DIVIDEND RATE - GROSS
(%)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Group Chairman
TAN SRI ASMAT BIN KAMALUDIN
Non-Independent Non-Executive Director

President & Group CEO
DATUK SYED HISHAM BIN SYED WAZIR
Non-Independent Executive Director

Directors
DR. LEONG CHIK WENG
Non-Independent Non-Executive Director

DATO' DR. NIK NORZRUL THANI BIN N.HASSAN THANI
Non-Independent Non-Executive Director

DATO' SIOW KIM LUN @ SIOW KIM LIN
Senior Independent Non-Executive Director

DATO' MOHD. NIZAM BIN ZAINORDIN
Non-Independent Non-Executive Director

KHALID BIN SUFAT
Independent Non-Executive Director

ROHAYA BINTI MOHAMMAD YUSOF
Non-Independent Non-Executive Director

TAN SRI HASMAH BINTI ABDULLAH
Independent Non-Executive Director

BOARD COMMITTEES

AUDIT COMMITTEE
Dato' Siow Kim Lun (Chairman)
Dato' Mohd. Nizam bin Zainordin
Khalid bin Sufat
Tan Sri Hasmah binti Abdullah

NOMINATION COMMITTEE
Dato' Siow Kim Lun (Chairman)
Dr. Leong Chik Weng
Khalid bin Sufat

REMUNERATION COMMITTEE
Khalid bin Sufat (Chairman)
Dr. Leong Chik Weng
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani

INVESTMENT & RISK MANAGEMENT COMMITTEE
Dr. Leong Chik Weng (Chairman)
Dato' Mohd. Nizam bin Zainordin
Dato' Siow Kim Lun
Tan Sri Hasmah binti Abdullah
Datuk Syed Hisham bin Syed Wazir

WHISTLE-BLOWING COMMITTEE
Tan Sri Hasmah binti Abdullah (Chairman)
Dato' Siow Kim Lun
Dato' Mohd. Nizam bin Zainordin
Khalid bin Sufat

GROUP SECRETARY
Fadzilah binti Samion (MACS 01262)

REGISTERED OFFICE
UMW Holdings Berhad (090278-P)
3rd Floor, The Corporate,
No. 10, Jalan Utas (15/7),
Batu Tiga Industrial Estate,
40200 Shah Alam,
Selangor Darul Ehsan,
Malaysia.
Telephone : (603) 5163 5000
Facsimile : (603) 5519 3890

REGISTRARS
Securities Services (Holdings) Sdn. Bhd. (36869-T)
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur,
Malaysia.
Telephone : (603) 2084 9000
Facsimile : (603) 2094 9940

AUDITORS
Ernst & Young (AF 0039)
Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur,
Malaysia.
Telephone : (603) 7495 8000
Facsimile : (603) 2095 5332

PRINCIPAL BANKERS
Malayan Banking Berhad
Maybank Islamic Berhad
Standard Chartered Group
Affin Bank Berhad
CIMB Bank Berhad
AmBank (M) Berhad
Asian Finance Bank Berhad

STOCK EXCHANGE
Main Market of
Bursa Malaysia Securities Berhad
Stock Name : UMW
Stock Code : 4588

WEBSITE
www.umw.com.my

BOARD OF DIRECTORS

1. Tan Sri Asmat bin Kamaludin
2. Dr. Leong Chik Weng
3. Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani
4. Dato' Siow Kim Lun
5. Rohaya binti Mohammad Yusof

BOARD OF DIRECTORS

6


7


8


9


10


6. Datuk Syed Hisham bin Syed Wazir
7. Dato' Mohd. Nizam bin Zainordin
8. Khalid bin Sufat
9. Tan Sri Hasmah binti Abdullah
10. Fadzilah binti Samion (Group Secretary)

DIRECTORS' PROFILE

Age 70, Malaysian
Group Chairman
Non-Independent Non-Executive Director

TAN SRI ASMAT BIN KAMALUDIN

QUALIFICATIONS
- Bachelor of Arts (Hons.) in Economics, University of Malaya
- Diploma in European Economic Integration, University of Amsterdam, Netherlands

MEMBERSHIP OF ASSOCIATIONS
- None

DATE APPOINTED TO THE BOARD
- 20 February 2001 (Group Chairman)

DATE OF LAST RE-ELECTION
- 23 June 2011

WORKING EXPERIENCE AND OCCUPATION
- Tan Sri Asmat bin Kamaludin had a distinguished career with the Ministry of International Trade and Industry, Malaysia ("MITI") spanning over 35 years, culminating with his retirement as Secretary-General in January 2001. Between 1973 and 1976, he had served as Senior Economic Counsellor for Malaysia in Brussels and worked with several international bodies such as the Association of South-East Asian Nations, World Trade Organisation and Asia-Pacific Economic Cooperation, representing Malaysia in relevant negotiations and agreements. He was also actively involved in several national organisations such as Johor Corporation, Small and Medium Scale Industries Development Corporation and Malaysia External Trade Development Corporation. In 2008, Tan Sri Asmat was appointed by MITI to represent Malaysia as Governor on the Governing Board of the Economic Research Institute for Asean and East Asia. He also serves on the board of the Japan Chamber of Trade and Industry in Malaysia Foundation.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- AirAsia X Berhad
- Compugates Holdings Berhad
- Panasonic Manufacturing Malaysia Berhad
- Permodalan Nasional Berhad
- The Royal Bank of Scotland Berhad
- UMW Oil & Gas Corporation Berhad
- YTL Cement Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- 18,000 shares (indirect holding) in UMW Holdings Berhad
- 300,000 shares in UMW Oil & Gas Corporation Berhad
- 4,000 shares (indirect holding) in UMW Oil & Gas Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 17 out of 17 Board meetings held

DIRECTORS' PROFILE

Age 59, Malaysian
President & Group CEO
Non-Independent Executive Director
- Member of Investment & Risk Management Committee

DATUK SYED HISHAM BIN SYED WAZIR

QUALIFICATIONS
- Masters in Business Administration, Ohio State University, USA
- Bachelor of Science in Mechanical Engineering, Plymouth University, UK
- Ordinary National Diploma in Engineering, Hastings College of Further Education, UK

MEMBERSHIP OF ASSOCIATIONS
- Fellow Member of the Institute of Motor Industry, UK
- Member of Beta Gamma Sigma of Ohio University
- Member of the Ohio University Alumni Society in Malaysia

DATE APPOINTED TO THE BOARD
- 1 October 2010 (President & Group CEO)

DATE OF LAST RE-ELECTION
- 27 June 2013

WORKING EXPERIENCE AND OCCUPATION
- Datuk Syed Hisham bin Syed Wazir has had vast exposure in the motor industry at senior management level. Prior to joining UMW, he was the Chief Operating Officer of Naza Kia Sdn. Bhd. and Naza Kia Services Sdn. Bhd. from 2009 to 2010. Datuk Syed Hisham started his career in the automotive field in 1983, when he joined HICOM Berhad and was later seconded to Perusahaan Otomobil Nasional Berhad ("PROTON") as Marketing Service Deputy Manager, before serving the Business Division of the company as Senior Manager. He was promoted to General Manager of Proton Corporation Sdn. Bhd., a subsidiary of PROTON, engaged in the distribution and marketing of PROTON cars for the domestic and overseas markets. Datuk Syed Hisham was subsequently appointed as Director of Proton Cars (UK) Pte. Ltd. from 1997 to 1998 and from 1998 to 2000, he served as General Manager, International Business of DRB-HICOM Export Corporations Sdn. Bhd. In 2001, he became General Manager, Marketing Division of Honda Malaysia Sdn. Bhd. before being appointed as President/Chief Operating Officer from 2003 to 2005. In 2005, he was appointed Managing Director of Edaran Otomobil Nasional Berhad, where he served until 2009.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- UMW Oil & Gas Corporation Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- 500,000 shares in UMW Oil & Gas Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 17 out of 17 Board meetings held

DIRECTORS' PROFILE

Age 51, Malaysian
Non-Independent Non-Executive Director
- Chairman of Investment & Risk Management Committee
- Member of Nomination Committee
- Member of Remuneration Committee

DR. LEONG CHIK WENG

QUALIFICATIONS
- Ph.D in Chemical Engineering, University of Massachusetts, USA
- Bachelor of Science in Chemical Engineering, West Virginia University, USA
- Executive Training in Product Development & Manufacturing Strategy, Stanford University, School of Business, USA

MEMBERSHIP OF ASSOCIATIONS
- None

DATE APPOINTED TO THE BOARD
- 29 November 2007

DATE OF LAST RE-ELECTION
- 21 June 2012

WORKING EXPERIENCE AND OCCUPATION
- After graduation, Dr. Leong Chik Weng joined Raychem Corporation in Menlo Park, California, USA, from 1989 to 1996, where he was subsequently promoted as Technical Director. In 1997, he was appointed Consultant to Guidant Corporation, Santa Clara, California, one of the world's largest cardiovascular product companies, where he developed an advanced chaotic mixing screw technology to produce micro-tubing using polymer alloys. Dr. Leong later joined Universal Search Machine Sdn. Bhd. as Managing Director from 1998 to 2000. He is also the founder and currently the Chief Executive Officer of e-Lock Corporation Sdn. Bhd., a company involved in the provision of information technology services.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- A-Rank Berhad
- Chemical Company of Malaysia Berhad
- UMW Oil & Gas Corporation Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- 150,000 shares in UMW Oil & Gas Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 17 out of 17 Board meetings held

DIRECTORS' PROFILE

Age 53, Malaysian
Non-Independent Non-Executive Director
- Member of Remuneration Committee

DATO' DR. NIK NORZRUL THANI BIN N.HASSAN THANI

QUALIFICATIONS
- Ph.D in Law, School of Oriental and African Studies, University of London, UK
- Masters in Law, Queen Mary College, University of London, UK
- LL.B (Hons.), University of Buckingham, UK
- Post-Graduate Diploma in Syariah Law and Practice (with Distinction), International Islamic University Malaysia

MEMBERSHIP OF ASSOCIATIONS
- Fellow Member of the Financial Services Institute of Australasia

DATE APPOINTED TO THE BOARD
- 13 August 2008

DATE OF LAST RE-ELECTION
- 21 June 2012

WORKING EXPERIENCE AND OCCUPATION
- Currently, Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani is the Chairman and Senior Partner of Zaid Ibrahim & Co., the largest law firm in Malaysia. Prior to joining Zaid Ibrahim & Co., he was with Baker & McKenzie (International Lawyers), Singapore. Dato' Dr. Nik Norzrul is a Barrister at Law, Lincoln's Inn and an Advocate & Solicitor of the High Court of Malaya. He was called to the Bar of England and Wales in 1985 and to the Malaysian Bar in 1986. He was a Visiting Fulbright Scholar, Harvard Law School and Chevening Visiting Fellow at the Oxford Centre of Islamic Studies, Oxford University. He was formerly the Acting Dean/Deputy Dean of the Faculty of Laws, International Islamic University Malaysia.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- Fraser & Neave Holdings Bhd
- Konsortium Logistik Berhad
- Manulife Holdings Berhad
- Manulife Insurance Berhad
- MSIG Insurance (Malaysia) Bhd

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- 75,000 shares in UMW Oil & Gas Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 17 out of 17 Board meetings held

DIRECTORS' PROFILE

Age 63, Malaysian
Senior Independent Non-Executive Director
- Chairman of Audit Committee
- Chairman of Nomination Committee
- Member of Investment & Risk Management Committee
- Member of Whistle-Blowing Committee

DATO' SIOW KIM LUN

QUALIFICATIONS
- Masters in Business Administration, Catholic University of Leuven, Belgium
- Bachelor of Economics (Honours), Universiti Kebangsaan Malaysia
- Advanced Management Program, Harvard Business School, USA

MEMBERSHIP OF ASSOCIATIONS
- None

DATE APPOINTED TO THE BOARD
- 10 July 2009

DATE OF LAST RE-ELECTION
- 21 June 2012

WORKING EXPERIENCE AND OCCUPATION
- Dato' Siow Kim Lun started his career in investment banking with Malaysian International Merchant Bankers in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Investment Bank Berhad) as Manager of Corporate Finance and subsequently became the Divisional Head of its Corporate Finance Division. From 1993 to 2006, Dato' Siow was with the Securities Commission and had served as Director of its Issues & Investment Division (now known as Corporate Finance & Investment Division) and Director of its Market Supervision Division. Currently, Dato' Siow is also a Director of Kumpulan Wang Persaraan (Diperbadankan) and a Commission Member of Suruhanjaya Pengangkutan Awam Darat.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Citibank Berhad
- Eita Resources Berhad
- Hong Leong Assurance Berhad
- WZ Satu Berhad (formerly known as WZ Steel Berhad)

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- 250,000 shares in UMW Oil & Gas Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 17 out of 17 Board meetings held

DIRECTORS' PROFILE

Age 50, Malaysian

Non-Independent Non-Executive Director

- Member of Audit Committee
- Member of Investment & Risk Management Committee
- Member of Whistle-Blowing Committee

DATO' MOHD. NIZAM BIN ZAINORDIN

QUALIFICATIONS

- Executive Masters in Business Administration, Asian Institute of Management
- Association of Chartered Certified Accountants, UK

MEMBERSHIP OF ASSOCIATIONS

- Fellow of the Association of Chartered Certified Accountants, UK
- Member of the Malaysian Institute of Accountants
- Certified Financial Planner

DATE APPOINTED TO THE BOARD

- 13 August 2008

DATE OF LAST RE-ELECTION

- 23 June 2011

WORKING EXPERIENCE AND OCCUPATION

- Dato' Mohd. Nizam bin Zainordin has an extensive career in Finance spanning over 20 years. He was attached to several companies in the field of finance before joining Permodalan Nasional Berhad ("PNB") in 1994 as Assistant Manager, Finance Department and had since then held various positions in PNB before assuming his present position as Chief Financial Officer.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES

- Lanjut Golf Berhad
- Pengurusan Pelaburan ASN Berhad
- Pengurusan Pelaburan ASW 2020 Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)

- 200,000 shares in UMW Oil & Gas Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR

- 17 out of 17 Board meetings held

DIRECTORS' PROFILE

Age 58, Malaysian
Independent Non-Executive Director
- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee
- Member of Whistle-Blowing Committee

KHALID BIN SUFAT

QUALIFICATIONS
- Association of Chartered Certified Accountants, UK
- Malaysian Institute of Certified Public Accountants

MEMBERSHIP OF ASSOCIATIONS
- Fellow of Association of Chartered Certified Accountants, UK
- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

DATE APPOINTED TO THE BOARD
- 1 September 2010

DATE OF LAST RE-ELECTION
- 27 June 2013

WORKING EXPERIENCE AND OCCUPATION
- Khalid bin Sufat has considerable experience in the banking industry having held several senior positions, namely General Manager, Consumer Banking of Malayan Banking Berhad in 1994, Executive Director of United Merchant Finance Berhad from 1995 to 1998 and Managing Director of Bank Kerjasama Rakyat Malaysia Berhad from 1998 to 2000. This experience has led him to become involved in the managing and restructuring of a number of public-listed companies. He became the Executive Director of Tronoh Mines Malaysia Berhad in 2002 and the Group Managing Director of Furqan Business Organisation Berhad in 2003 before being appointed as Group Managing Director of Seacera Tiles Berhad in mid-2006, a position he held until late 2007.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Chemical Company of Malaysia Berhad
- Kuwait Finance House (Malaysia) Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- 300,000 shares in UMW Oil & Gas Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 16 out of 17 Board meetings held

DIRECTORS' PROFILE

Age 48, Malaysian
Non-Independent Non-Executive Director

ROHAYA BINTI MOHAMMAD YUSOF

QUALIFICATIONS
- Bachelor of Commerce (Accountancy), Australian National University, Australia
- Certified Practising Accountant Australia (Associate)
- INSEAD Advanced Management Programme, France

MEMBERSHIP OF ASSOCIATIONS
- Member of Certified Public Accountants, Australia

DATE APPOINTED TO THE BOARD
- 1 July 2013

DATE OF LAST RE-ELECTION
- None

WORKING EXPERIENCE AND OCCUPATION
- Rohaya binti Mohammad Yusof began her career with Arthur Andersen & Co. as a Senior Financial Consultant for the Audit Division, which audited various industries such as manufacturing, banking, oil and gas and trading. She was involved in the audit planning and preparation of financial statements as well as in the evaluation of internal controls of accounting systems. In 1990, she joined Maybank Investment Bank Berhad (previously known as Aseambankers Malaysia Berhad) until her appointment as Executive Vice President for Corporate Investment Banking in 2005. After acquiring 18 years' of experience in Maybank Investment Bank Berhad in areas of Fixed Income, Equity and Corporate Finance, Rohaya joined the Employee Provident Fund ("EPF") in 2008 as Head of Corporate Finance. Subsequently, Rohaya was appointed the Head of Capital Market Department in 2010 where she oversees domestic and global investment in loans and bonds. Her portfolio also includes monitoring External Fund Managers for Domestic and Global Fixed Income.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Malaysian Resources Corporation Berhad
- PLUS Malaysia Bhd
- Projek Lebuhraya Usahasama Bhd
- Kuwasa Global (Jersey) Limited

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 8 out of 8 Board meetings held after her appointment

DIRECTORS' PROFILE

Age 63, Malaysian
Independent Non-Executive Director
- Chairman of Whistle-Blowing Committee
- Member of Audit Committee
- Member of Investment & Risk Management Committee

TAN SRI HASMAH BINTI ABDULLAH

QUALIFICATIONS
- Senior Management Development Programme, Harvard Business School
- Bachelor of Arts (Honours), University of Malaya

MEMBERSHIP OF ASSOCIATIONS
- Fellow of the Chartered Tax Institute of Malaysia

DATE APPOINTED TO THE BOARD
- 2 September 2013

DATE OF LAST RE-ELECTION
- None

WORKING EXPERIENCE AND OCCUPATION
- Tan Sri Hasmah binti Abdullah had a distinguished career with the Inland Revenue Board ("IRB") spanning over 37 years. She was the former IRB Chief Executive Officer and Director General from 19 October 2006 to 7 January 2011. Tan Sri Hasmah has led the Malaysian delegation to several international conferences and also represented Malaysia on the Management Committee of the Commonwealth Association of Tax Administrators in London, UK for three (3) years from 2007 to 2009. Under her leadership at IRB, vast improvements and policy changes to the service delivery system were introduced, in particular, refunds, which were made faster with the use of electronic filing. For the improvements and innovations that had impacted positively on the taxpaying public, IRB was awarded the inaugural Prime Minister's Innovation Award in 2009. Tan Sri Hasmah was also Tax Advisor to PricewaterhouseCoopers Taxation Services Sdn. Bhd. from 1 July 2011 to 30 September 2013. Currently, Tan Sri Hasmah is a Commission Member of Securities Commission Malaysia, a Trustee Board Member of the Malaysian Tax Research Foundation and Dana Amal Jariah, a charitable organisation.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Panasonic Manufacturing Malaysia Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES (as at 30 April 2014)
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 4 out of 4 Board meetings held after her appointment

None of the above Directors has -
(a) Any family relationship with any Director and/or major shareholder of the Company;
(b) Any conflict of interest with the Company; and
(c) Any conviction for offences within the past 10 years other than traffic offences.

AUTOMOTIVE

OIL & GAS

EQUIPMENT

MANUFACTURING & ENGINEERING

MANAGEMENT COMMITTEE

Standing (from left to right) -

Dr. Wafi Nazrin bin Abdul Hamid

Rohaizad bin Darus

Azmin bin Che Yusoff

Lee Chin Min

Megat Shahrul Azmir bin Nordin

Sitting (from left to right) -

Datuk Ismet bin Suki

Datuk Syed Hisham bin Syed Wazir

Badrul Feisal bin Abdul Rahim

Nik Juliah binti Nik Jaafar

AUDIT COMMITTEE REPORT

CHAIRMAN
Dato' Siow Kim Lun
(Senior Independent Non-Executive Director)

MEMBERS
Dato' Mohd. Nizam bin Zainordin
(Non-Independent Non-Executive Director)

Khalid bin Sufat
(Independent Non-Executive Director)

Tan Sri Hasmah binti Abdullah
(Independent Non-Executive Director)

SECRETARY
Fadzilah binti Samion
(Group Secretary)

The Audit Committee ("AC") of the Board was established in 1992 with the primary objective of assisting the Board of UMW Holdings Berhad in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes and financial reporting practices of the Group.

MEMBERSHIP

Composition

The AC comprises four (4) Non-Executive Directors, majority of whom are Independent Directors. Tan Sri Hasmah binti Abdullah was appointed to the AC on 24 September 2013.

Both Dato' Mohd. Nizam and Khalid are Fellow Members of the Association of Chartered Certified Accountants, United Kingdom, and members of the Malaysian Institute of Accountants. Dato' Mohd. Nizam is also a Certified Financial Planner, whilst Khalid is a member of the Malaysian Institute of Certified Public Accountants.

The composition of the AC and the qualifications of members comply with Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The term of office and the performance of the AC as a whole and of individual AC members are evaluated by the Board once in every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference ("TOR"). The evaluation in respect of the financial years 2010 to 2012 was carried out together with the annual evaluation of the other committees of the Board in the year under review. The Board is satisfied that the AC and its members have been able to discharge their functions, duties and responsibilities, in accordance with the TOR of the AC.

TERMS OF REFERENCE

Functions

The AC's functions are to review, evaluate and report to the Board on the following matters -

1. To consider and recommend the nomination and appointment/re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal.

2. To discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination where more than one audit firm is involved.

3. To review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval, focusing particularly on -

    - changes in or implementation of major accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements.

4. To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary), and to review the external auditors' management letter and management's response.

5. To ensure that the Group Internal Audit Division ("GIAD") is adequately resourced and has appropriate standing within the Group, and to review and approve the TOR of internal audit.

AUDIT COMMITTEE REPORT

6. To review the GIAD's annual audit plan and all reports generated by the GIAD and to issue instructions for further action to be taken by the GIAD, and provide general guidance to the GIAD.

7. To consider the major findings of internal investigations (by internal and external auditors) and management's response.

8. To review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group.

9. To consider any related party transactions and conflict of interest that may arise within the Group including any transaction, procedure or course of conduct that may raise questions on management integrity.

10. To carry out any function defined by the Board.

Rights

The AC shall have the right to -

1. Investigate any matters within its TOR.

2. Resources which are required to perform its duties as set out in its TOR.

3. Full and unrestricted access to any information pertaining to the UMW Group.

4. Direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

5. Obtain independent professional or other advice and to request the attendance of persons with relevant experience, if necessary.

6. Convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the UMW Group, whenever deemed necessary.

Meetings, Quorum and Procedures

The AC meets five (5) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the AC. The quorum for each meeting shall be three (3) members, the majority of whom must be Independent Non-Executive Directors.

The President & Group CEO attends all AC meetings to facilitate direct communication and to provide clarification on audit issues and the operations of the Group. The Executive Director, Group Financial Services Division/Chief Financial Officer and the Head of GIAD are present at all AC meetings to table the respective internal audit reports. Any other Board members and any other representatives as deemed necessary, may be invited to attend the meeting to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the AC meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the AC members on significant audit and accounting areas which they noted in the course of their audit. The AC met with the external auditors twice during the year under review, to give opportunity to the external auditors to raise any matter without the presence of management or Executive Board member.

The AC decides on its own administrative procedures to effectively discharge its responsibilities.

During the year ended 31 December 2013, the AC met nine (9) times, i.e., on -

1. 15 January 2013
2. 7 February 2013
3. 22 February 2013
4. 19 April 2013
5. 22 May 2013
6. 26 August 2013
7. 5 September 2013
8. 20 November 2013
9. 4 December 2013.

AUDIT COMMITTEE REPORT

The AC's attendance record is provided in the Corporate Governance Statement on pages 68 to 69 of this annual report.

Reports/Minutes

Minutes of each meeting are kept by the Secretary as evidence that the AC has discharged its functions. The Chairman of the AC reports to the Board after each AC meeting on significant issues as and when raised by the external auditors or internal auditors. The approved minutes of all AC meetings are tabled to the Board for notation.

Summary of Activities

The following activities were carried out by the AC during the financial year ended 31 December 2013 -

1. Financial Reporting

Reviewed and recommended to the Board -
- quarterly financial statements for the fourth quarter of 2012 on 22 February 2013 and the financial statements for the first, second and third quarters of 2013 on 22 May 2013, 26 August 2013 and 20 November 2013, respectively.
- annual audited financial statements of UMW and the UMW Group for the year ended 31 December 2012 on 19 April 2013 with the external auditors and management to ensure compliance with all legal and regulatory requirements prior to submission to the Board for approval and for announcement to Bursa Securities.
- UMW Group's financial and foreign currency exposure.

2. Internal and External Audit

Reviewed and discussed -
- GIAD's annual audit plans, budget and organisation structure for 2013 to ensure adequate scope and comprehensive coverage over the activities of the UMW Group.
- internal audit reports covering the performance of companies/ branches audited in the fourth quarter of 2012 and in the first, second and third quarters of 2013.
- reports of the Chairman of the Management Audit Committee ("MAC").
- internal audit and investigative reports prepared by the GIAD and external auditors and thereafter monitored corrective actions taken by management on the outstanding audit issues to ensure that all audit issues, key risks and lapses in controls, have been addressed.
- effectiveness of the audit process, resource requirements of the GIAD for the year and assessed the performance, effectiveness and efficiency of the GIAD.
- status of annual audit reports and management letter on issues raised by the external auditors, and ensured appropriate remedial actions/measures were taken.
- 2013 Audit Methodology and the GIAD's manpower requirements.

Reviewed and recommended to the Board -
- 2013 Audit Planning Memorandum prepared by the external auditors to ensure adequate scope and comprehensive coverage over the activities of the UMW Group.
- re-appointment and audit fees of the external auditors for the financial year 2013 based on their performance and effectiveness.
- enhancements to the UMW Group's practices in compliance with all laws, rules and regulations, directives and guidelines imposed by relevant regulatory bodies.

3. Related Party Transactions

Reviewed and discussed -
- related party transactions entered into by the UMW Group with related parties, in accordance with the shareholders' mandate obtained in June 2012, on a quarterly basis.

Reviewed and recommended to the Board -
- Circular to Shareholders relating to renewal of shareholders' mandate for existing recurrent related party transactions and new shareholders' mandate for additional recurrent related party transactions of a revenue or trading nature and renewal of shareholders' authority for the Company to purchase its own shares.
- other related party transactions.

AUDIT COMMITTEE REPORT

4. Others

Reviewed and discussed -

- annual assessment of the performance rating of the Head of GIAD.

Reviewed and recommended to the Board -

- dividends to be declared to shareholders of the Company.
- revised TOR of the Banking Committee including new approval limits and appointment of new members.
- revised UMW Group Financial Limits of Authority Guidelines and new Procurement Policy.
- evaluation of the AC as a whole and of individual members for the financial years 2010 to 2012.
- AC Report and Statement on Risk Management and Internal Control prior to their inclusion in the Company's annual report.
- ad-hoc and special assignments requested by the Board.

INTERNAL AUDIT FUNCTION

The GIAD is independent of business operations and has a group-wide mandate set out in its Audit Charter. The GIAD provides the Board, through the AC, with reasonable assurance of the adequacy and effectiveness of the risk management and internal control system, and governance processes in the Group. The GIAD carries out its functions in accordance with an annual internal audit plan approved each year by the AC. It performs routine audit and reviews on all operating units within the UMW Group with emphasis on principal risk areas. All high risk areas are audited annually. The GIAD also carries out investigative audit as and when required. GIAD reports directly to the AC of the Board on major findings and any significant control issues and concerns. The Head of the GIAD attends all AC meetings.

The GIAD also highlights to the MAC, audit findings which require follow-up action by management as well as outstanding audit issues which require corrective action. The MAC reviews the reports of GIAD and external auditors for the purpose of assessing the adequacy and integrity of the system of internal control of the Group.

The GIAD works collaboratively with the Group Risk Management Division, to review and assess the adequacy and effectiveness of the risk governance framework and risk management processes of the Group.

During the financial year ended 31 December 2013, the GIAD carried out audits of 105 business units in the UMW Group. A total of 101 reports relating to the audit of companies/branches in the fourth quarter of 2012 and the first and second quarters of 2013, generated in the financial year were reviewed by the AC.

The total cost incurred by the GIAD in discharging its internal audit functions and responsibilities in 2013 was RM8,290,760 (2012 : RM6,634,922).

More details on the GIAD function are set out in the Statement on Risk Management and Internal Control on page 84 of this annual report.

UMW GROUP STRUCTURE
AS AT 30 APRIL 2014

UMW HOLDINGS BERHAD
(090278-P)

UMW CORPORATION SDN. BHD. (009825-V)

AUTOMOTIVE

UMW Toyota Motor Sdn. Bhd.
- Assembly Services Sdn. Bhd.
- Automotive Industries Sendirian Berhad
- Toyota Boshoku UMW Sdn. Bhd.

Otomobil Sejahtera Sdn. Bhd.

UMW Toyotsu Motors Sdn. Bhd.

Perusahaan Otomobil Kedua Sdn. Bhd.
- *Perodua Sales Sdn. Bhd.*
- *Perodua Auto Corporation Sdn. Bhd.*
- *Perodua Manufacturing Sdn. Bhd.*
- *Perodua Engine Manufacturing Sdn. Bhd.*
- *Perodua Global Manufacturing Sdn. Bhd.*

OIL & GAS

UMW Fabritech Sdn. Bhd.

UMW Oilfield International (M) Sdn. Bhd.

UMW Synergistic Generation Sdn. Bhd.
- UMW SG Power Systems Sdn. Bhd.
- UMW SG Engineering & Services Sdn. Bhd.

EQUIPMENT

UMW Equipment Sdn. Bhd.

UMW (East Malaysia) Sdn. Bhd.

UMW Niugini Limited, Papua New Guinea

UMW Machinery Limited, Myanmar

UMW Engineering Services Limited, Myanmar

UMW Industries (1985) Sdn. Bhd.

UMW Industrial Power Sdn. Bhd.

UMW Equipment & Engineering Pte. Ltd., Singapore

UMW Equipment Systems Pte. Ltd., Singapore
- UMW Equipment Systems (Vietnam) Company Limited, Vietnam

UMW Industrial Trading (Shanghai) Co., Ltd., China

UMW Industrial Equipment (Shanghai) Co., Ltd., China

Vision Fleet Equipment Leasing (Shanghai) Co., Ltd., China

MANUFACTURING & ENGINEERING

UMW M&E Sdn. Bhd.
- Lubetech Sdn. Bhd.
- UMW Pennzoil Distributors Sdn. Bhd.
- PT UMW International
- *PT Pusaka Bersatu*

UMW Advantech Sdn. Bhd.

KYB-UMW Malaysia Sdn. Bhd.
- KYB-UMW Steering Malaysia Sdn. Bhd.

UMW Lubricant International Sdn. Bhd.

Lubritech International Holdings Limited, Hong Kong
- Lubritech Limited, China

MK Autocomponents Limited
- Sathya Auto Private Limited, India
- Castwel Auto Parts Private Limited, India

MK Automotive Industries Limited
- UMW Dongshin Motech Private Limited, India

UMW M&E Limited

SUPPORT OPERATIONS

Toyota Capital Malaysia Sdn. Bhd.
- *Seabanc Kredit Sdn. Bhd.*
- *Toyota Capital Acceptance Malaysia Sdn. Bhd.*
- *Toyota Lease Malaysia Sdn. Bhd.*

U-TravelWide Sdn. Bhd.

UMW Development Sdn. Bhd.

UMW PETROPIPE (L) LTD.
(LL 03753)

OIL & GAS

UMW China Ventures (L) Ltd.
- *WSP Holdings Limited, Cayman Islands*
- *First Space Holdings Limited, British Virgin Islands*
- *Wuxi Seamless Oil Pipe Co., Ltd., China*

UMW Linepipe (L) Ltd.
- *Shanghai BSW Petro-Pipe Co., Ltd., China*

UMW ACE (BVI) Ltd., British Virgin Islands
- *Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., China*

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., China
- *Jiangsu Tube-Cote Shuguang Coating Co., Ltd., China*
- *Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd., China*
- *Tianjin Tube Cote Petroleum Pipe Coating Co., Ltd., China*
- *Tangrong Tube-Cote (Sanxi) Pipe Coating Co., Ltd., China*

UMW Coating Technologies (Tianjin) Co., Ltd., China

Sichuan Haihua Petroleum Steelpipe Co., Ltd., China

UMW Offshore Investment (L) Ltd.

UMW Oilfield International (L) Ltd.
- *Tubulars International Pte. Ltd., Singapore*
- *TPCO Pan Asia Pte. Ltd., Singapore*

Vina Offshore Holdings Pte. Ltd., Singapore
- *UMW Helmsion Engineering Pte. Ltd., Singapore*

UMW Marine And Offshore Pte. Ltd., Singapore

UMW India Ventures (L) Ltd.
- UMW Sher (L) Ltd.
- Jaybee Drilling Private Limited, India
- *United Seamless Tubulaar Private Limited, India*

UMW OIL & GAS CORPORATION BERHAD
(878786-H)

OIL & GAS

UMW Rig Asset (L) Ltd.
- UMW Drilling Co. Ltd.
- UMW Naga Two (L) Ltd.
- UMW Standard 1 Pte. Ltd., Singapore
- UMW Naga Three (L) Ltd.
- UMW Standard 3 Pte. Ltd., Singapore
- UMW Drilling 4 (L) Ltd.
- Offshore Driller B324 Ltd.
- Offshore Driller 4 Ltd.
- UMW Drilling 5 (L) Ltd.
- UMW Drilling 6 (L) Ltd.
- UMW Drilling 7 (L) Ltd.
- UMW Drilling 8 (L) Ltd.

UMW Malaysian Ventures Sdn. Bhd.
- UMW Offshore Drilling Sdn. Bhd. (formerly known as UMW Standard Drilling Sdn. Bhd.)
- UMW Drilling Academy Sdn. Bhd.
- UMW Oilpipe Services Sdn. Bhd.
- *Oil-Tex (Thailand) Company Limited*
- *UOT (Thailand) Limited*
- UMW Workover Sdn. Bhd. (formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.)
- UMW Oilpipe Services (Turkmenistan) Ltd.

UMW JDC Drilling Sdn. Bhd.

UMW Singapore Ventures Pte. Ltd., Singapore
- UMW Oilfield Services (Tianjin) Co., Limited, China

UMW AUSTRALIA VENTURES (L) LTD.
(LL 06487)

OIL & GAS

PFP Holdings Pty. Ltd., Australia
- PFP (Aust) Holdings Pty. Ltd., Australia
- PFP (Aust) Pty. Ltd., Australia
- PFP Singapore Pte. Ltd., Singapore
- PFP (Shenzhen) Piping Materials Co., Ltd., China
- PFP Taiwan Co., Ltd., Taiwan
- *PFP (Malaysia) Sdn. Bhd.*
- Australasia Piping Products Pty. Ltd., Australia

UMW OIL & GAS BERHAD
(798108-A)

OIL & GAS

UMW Australia Ventures Sdn. Bhd.

UMW Middle East Ventures Holding W.L.L., Bahrain
- Arabian Drilling Services L.L.C., Oman

Notes:
Companies in italics are associated companies of the Group.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

In 2013, the UMW Group's mettle in overcoming difficult challenges was once again tested. Despite tough competition and slowdown in the construction sector, and drop in commodity prices as well as softening of the Malaysian Ringgit, we succeeded in achieving a healthy profit before taxation ("PBT") of RM1.436 billion. Although lower than the record profit achieved in 2012, 2013 PBT is largely on par with the commendable performance that UMW has consistently put in over the last decade. The year 2013 also saw the much anticipated listing of UMW Oil & Gas Corporation Berhad on the Main Market of Bursa Malaysia Securities Berhad.

ASMAT BIN KAMALUDIN
Group Chairman

CHAIRMAN'S STATEMENT

Launch of the all-new Vios

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2013 ("FY2013"), the Group registered a PBT of RM1.436 billion and net profit attributable to equity holders of RM652.9 million, on the back of RM14.0 billion revenue.

The launch of new models by other car manufacturers affected the Automotive Division's performance in the earlier half of 2013, resulting in lower contributions to Group earnings compared to the previous year. While the Manufacturing & Engineering Division achieved higher revenue from its lubricant business, its automotive component manufacturing operations in India were badly affected by a slowdown in the automotive industry in India, resulting in losses registered. This was, however, offset by the admirable performance of the Oil & Gas Division (Drilling and Oilfield Services) which showed an increase in PBT of more than 100% from 2012. The Equipment Division benefited from better margins in 2013 and its profit contribution to the Group increased slightly from the previous year.

DIVISION HIGHLIGHTS

AUTOMOTIVE

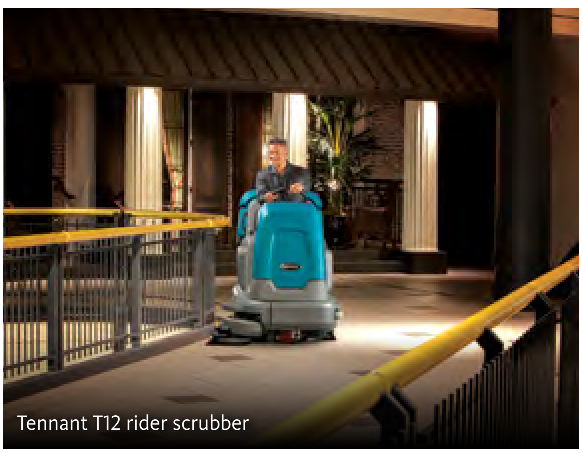
Total Industry Volume ("TIV") for 2013 rose 4.5% to a record of 655,793 units compared to the 627,753 units achieved in 2012, as car manufacturers introduced more than 70 new models during the year. This meant stiff competition for UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor") while the early run-out of its best-selling model, Toyota Vios, further affected its sales performance in the first three quarters of 2013. Sales however increased by 33% in the last quarter of the year, following the launch of the all-new Toyota Vios on 2 October 2013. The improved Toyota Fortuner and Toyota Hilux were also unveiled in October.

Despite the increasingly competitive market, UMW Toyota Motor succeeded in maintaining its No.1 position in the non-National automotive segment for the 24th consecutive year. It also emerged top in the JD Power Asia-Pacific 2013 Sales Satisfaction Index ("SSI").

CHAIRMAN'S STATEMENT

Spurred by the launch of the MyVi 'S' Series, PERODUA achieved a new sales record in 2013, with a 4% year-on-year increase. The introduction of the 'S' Series also helped mitigate the impact of declining Viva sales due to the implementation of Bank Negara Malaysia's New Lending Guidelines. PERODUA retained its No.1 overall position in the Malaysian automotive industry for the 8th consecutive year.

Together, UMW Toyota Motor (including Lexus) and PERODUA secured a combined market share of 44% in 2013.


Tennant T12 rider scrubber

EQUIPMENT

UMW retained its leading position in the material handling equipment business, with Toyota forklifts maintaining its 50% market share. Demand for heavy equipment during the year fell however, due to a softer construction sector and a drop in commodity prices, especially palm oil, iron ore and gold. Jade mining activities in Myanmar have yet to resume, following suspension of operations since 2012. Demand for marine engines was also lower due to the softening of the market. These challenging market conditions led to lower sales and revenue for the division in 2013 compared to the previous year. In spite of the lower revenue, PBT for 2013 was 4.1% higher than that achieved in 2012, contributed by higher industrial equipment sales and parts and service sales, with better margins as well as cost management measures.


Manufacturing of filters at UMW Advantech Sdn. Bhd.

MANUFACTURING & ENGINEERING

After a weak start to 2013, the Malaysian automotive and parts replacement market gradually improved following the General Elections, and is considered to have generally recovered. This helped boost sales for UMW's automotive component and lubricant operations in Malaysia. In fact, the Lube Group registered a growth of more than 100% in PBT from the previous year, with enhanced cost management measures and promotional campaigns on higher margin products further contributing to this significant improvement. The division's China operations also performed better than expected and finished the year ahead of all internal targets.

Unfortunately, the Indian operations were not spared the negative effects of the slowdown in the Indian automotive industry. High interest rates and increasing fuel prices affected the industry to a large extent, with TIV dropping for the first time in 11 years - a slide of 7.2%. Impairment of assets and weakening of the Indian Rupee were also factors that led to the division recording a loss in 2013.

OIL & GAS (DRILLING & OILFIELD SERVICES)

UMW Oil & Gas Corporation Berhad ("UMW-OG") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 1 November 2013. The listing of UMW-OG marked a year of growth and significant improvements in performance. PBT increased by more than 100% from 2012 with new contribution from NAGA 4, higher contribution from NAGA 1 and NAGA 2, as well as gains from the sale of property by one of its subsidiaries.

CHAIRMAN'S STATEMENT


Hydraulic Workover Unit

OIL & GAS (OTHERS)

The evaluation of UMW's non-core oil and gas business assets in fabrication, oilfield products and pipe manufacturing continued in 2013 - with divestment, strategic partnerships and privatisation being considered, where applicable, as options. As each and every asset in this group is dissimilar in business, different corporate and operational strategies have been crafted and are consistently reviewed and monitored to fully unlock its value.

2013 was yet another challenging year for us as we continue to operate and where necessary, restructure these assets to create shareholder value. We are mindful that it will take a period of time to achieve our objective as we believe there exist good opportunities within the other oil and gas operations and we will endeavour to extract the best value from these operations for the benefit of all our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

From June 2009 to December 2013, UMW's team of employee volunteers - known as the "UMW Community Champions", has spent nearly 17,000 hours on various community projects. These projects are primarily focused on three major areas - Education, Environment and Community Development.

UMW's long-term Corporate Social Responsibility partnership with MERCY Malaysia continued for the 5th consecutive year in 2013. Along with manpower support from its employees, UMW has, over the years, provided MERCY Malaysia with more than RM2.5 million in funding to conduct mobile clinics, alcohol misuse intervention groups, fire-risk reduction activities, as well as disaster relief efforts for remote or vulnerable communities in Malaysia.

UMW Toyota Motor held its highly-anticipated, annual charity concert, the Toyota Classics, on 12 November 2013 at Dewan Filharmonik PETRONAS. The 22nd edition of the concert series featured a performance by the North Czech Philharmonic Teplice, with proceeds and corporate donations going to the Society for the Advancement of the Blind, the Malaysian Federation of the Deaf and the Malaysian Liver Foundation.

DIVIDEND

For FY2013, the UMW Group declared and paid three single-tier interim dividends and one special single-tier interim dividend. With the payment of the third single-tier interim dividend on 25 April 2014, the Board of Directors does not propose the payment of any final dividend for FY2013. The total single-tier dividend payout for the financial year ended 31 December 2013 is equivalent to 88% or 44.0 sen per share, amounting to a net dividend of approximately RM514.0 million.

The above payout represents approximately 78.7% of the 2013 net profit attributable to shareholders of UMW (net of unrealised gains) against our target Key Performance Indicator for dividends of at least 50%.

PROSPECTS AND FUTURE DIRECTION

The UMW Group maintains a positive outlook on our prospects and performance for 2014. While the Malaysian Government's plans to reduce the country's fiscal deficit from 4% to 3.5% of GDP in 2014 may result in more cautious spending by consumers and businesses alike, we believe that as long as there is continued emphasis on quality products and excellent customer support, the Group can capitalise on opportunities that will arise.

CHAIRMAN'S STATEMENT

Malaysia's automotive sector is expected to continue growing albeit, at a slightly slower pace following the Government's subsidy rationalisation measures. TIV forecast for 2014 is around 2.3% higher than 2013. The new National Automotive Policy, announced in mid-January 2014, is expected to intensify competition in the marketplace. Price-sensitivity amongst consumers will likely increase. As such, the Automotive Division will continue to focus on offering customers the best value for money deals. With new model launches, UMW Toyota Motor expects 2014 vehicle sales to exceed the numbers achieved in 2013. Overall, we are confident that UMW Toyota Motor and PERODUA will be able to maintain its strong market share.

The Equipment Division expects to sustain its performance through enhanced cost management as well as increased parts sales. The division will also focus on expanding its rental business, which has performed very well. We believe these measures will help counter some of the adverse effects from a predicted slowdown in the Malaysian housing sub-sector, due to tighter lending conditions and the 30% Real Property Gains Tax. While no new mega projects were announced in the 2014 National Budget, there are still ongoing projects being carried out under the Government's Economic Transformation Programme that will drive construction sector growth for the year ahead. Commodity prices are also expected to improve along with the global economy.

In the Oil & Gas segment, we are seeing an increase in exploration and production activities and spending, along with high demand for jack-up rigs in the ASEAN region. Riding on this demand, UMW-OG will be taking delivery of three (3) new jack-up rigs in 2014. UMW-OG will also continue to pursue opportunities to expand its geographic coverage in the Asia-Pacific region as part of its growth plan and revenue diversification strategy. We look forward to a higher profit contribution from UMW-OG for the year ahead.

Our lubricant business is set to be a new growth driver for the Manufacturing & Engineering Division, with plans to expand in the Asian region. Our toll-blending plant in Malaysia has been operating at almost full capacity, while the plant in China has been registering higher capacity utilisation with new contracts secured. We further foresee an increase in sales of automotive components in Malaysia via product and market expansion initiatives.

The 22nd Toyota Classics featured the North Czech Philharmonic Teplice

ACKNOWLEDGEMENT

The UMW Group is fortunate to have a team of astute leaders and over 13,000 employees worldwide who have worked tirelessly to steer the Group through many challenges, as well as to help capture business opportunities available. I would like to take this opportunity to express my appreciation to all UMW employees for their efforts, dedication and commitment in ensuring the success of the Group. I urge them to keep up their Unshakeable spirit and remain vigilant as the Group continues its journey further *Beyond Boundaries®*.

My heartfelt gratitude also goes to my fellow Board members for their invaluable advice, guidance and support. I would like to extend a warm welcome to Puan Rohaya binti Mohammad Yusof and Y Bhg Tan Sri Hasmah binti Abdullah who were appointed to the Board on 1 July 2013 and 2 September 2013, respectively.

Last but not least, I would like to thank our principals, customers, shareholders, suppliers, bankers and business associates for their continued co-operation and support.

ASMAT BIN KAMALUDIN
Group Chairman
27 May 2014

REVIEW OF OPERATIONS

DEAR SHAREHOLDERS,

Despite a slower start to 2013 for the Automotive segment, and the many challenges faced by all of the Group's core businesses, the team remained resilient and picked up the pace to finish the year with a commendable Group profit before taxation of RM1.436 billion.

DATUK SYED HISHAM BIN SYED WAZIR
President & Group CEO

AUTOMOTIVE

REVIEW OF OPERATIONS

Launch of the all-new Lexus ES Series

UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor")

UMW Toyota Motor sold 92,521 units (including Lexus) in 2013, representing 14.1% of the total industry volume. This is a slight decrease from the previous year's performance, which had received a boost from the aggressive sales promotions conducted in conjunction with the company's 30th anniversary. In spite of this, UMW Toyota Motor proudly retained its No. 1 position in the Non-National car category for the 24th consecutive year.

In 2013, UMW Toyota Motor opened its latest full-fledge 3S (sales, service and spare-parts) Centre in Alor Star, Kedah, at a cost of RM21.4 million. The facility's after-sales centre can service up to 75 vehicles daily while its Body & Paint centre can accommodate up to seven (7) vehicles per day.

Following the commencement of order-taking for the all-new Toyota Vios in July 2013, the model was subsequently launched in October. The month also saw the launch of the improved Toyota Fortuner and Toyota Hilux. Lexus launched the all-new IS250 and the new ES series during the year under review.

REVIEW OF OPERATIONS (AUTOMOTIVE)

UMW Toyota Motor won several accolades in 2013 under the following categories -

- Putra Brand Awards - Gold (Automotive);
- Asian Auto Fuel Efficiency Awards;
  - Luxury Family Cars - 1st place for Toyota Altis 1.8;
  - Luxury SUVs - 1st place for Lexus RX270 and 2nd place for Lexus CT200h;
  - Hybrids - 1st place for Toyota Prius C and 3rd place for Toyota Prius;
  - Performance Coupe Cars - 2nd place for Toyota 86; and
  - Compact MPVs - 3rd place for Toyota Avanza;
- Frost & Sullivan Malaysia Excellence Awards - Pick-up Truck of the Year (Toyota Hilux);
- NST/Maybank Car of the Year Awards 2013 - Lexus IS250 F-Sport : Premium Executive Car of the Year (<RM500k); and
- Autocar Asean Car of the Year 2013 - Lexus GS : Mid-size Luxury Saloon.

Assembly Services Sdn. Bhd. ("ASSB")

ASSB is involved in the manufacturing/assembly of selected Toyota and Hino vehicles. The year saw ASSB significantly invest in enhancing its production system in preparation for the assembly of the all-new Vios. To promote the expansion of parts localisation and to further prepare for new model development, ASSB continued with its Supplier-ASSB Joint Kaizen and Toyota Suppliers Club Group Kaizen activities. The activities improve the manufacturing capabilities and cost performance of local suppliers through implementation of the Toyota Production System.

ASSB was also the proud host of the 9th Toyota Asia-Pacific Circle Forum, held in August 2013. The forum is aimed at driving quality control activities amongst Toyota Asia-Pacific affiliates. A total of thirteen (13) companies from ten (10) countries participated in the event.

The improved Toyota Hilux

For its excellence in the field of human resource, training and development, ASSB received the Human Resource Minister's Award 2013 (Large Employers - Manufacturing Category).

Automotive Industries Sendirian Berhad ("AISB")

AISB is a leading automotive parts manufacturer specialising in three core products - exhaust systems, catalytic converters and reinforced instrument panels. Higher sales volume and enhanced cost-management measures led to a 19% increase in profit before taxation ("PBT") from 2012. New sources of revenue in 2013 came from the supply of exhaust systems and instrument panels to Nissan, and the supply of exhaust systems to Isuzu. The year also saw AISB expand its non-core product range which includes stamping parts and tubings.

For its commitment towards quality, AISB was presented with a Best Quality Award by Honda Malaysia and Quality Appreciation Award by Isuzu Hicom Malaysia.

REVIEW OF OPERATIONS (AUTOMOTIVE)

Unveiling of the new MyVi ‘S’ Series

Toyota Boshoku UMW Sdn. Bhd. (“TBU”)

TBU manufactures and assembles car seats, door trims and leather covers. On 23 September 2013, the company officially opened Plant 3, which produces polyurethane seat padding. The investment made in the new plant is expected to help TBU maintain a competitive edge over other seat manufacturers. TBU also invested in upgrading its headliner production line.

In 2013, TBU was successfully re-certified with the following -

- ISO 9001:2008 (valid until 26 May 2016); and
- ISO 14001:2004 (valid until 26 May 2016).

Official opening ceremony of TBU Plant 3

Perusahaan Otomobil Kedua Sdn. Bhd. Group (“PERODUA”)

PERODUA retained its No. 1 position in the Malaysian automotive sector for the 8th consecutive year, with an increase of 3.7% in sales from 2012. Market share for 2013 maintained at 30%. The year’s positive results were mainly driven by the introduction of the PERODUA ‘S’ Series (Viva ‘S’, MyVi 1.3 SE and Alza ‘S’) - PERODUA’s most value-for-money variants to date. The launch of the ‘S’ Series is timely, considering that consumers are becoming increasingly price-sensitive with the tightening of lending guidelines and petrol subsidy reduction measures.

The ‘S’ Series was unveiled in conjunction with the laying of the foundation stone for the new PERODUA plant in Sungai Choh. The RM790 million state-of-the-art plant will be operational by the second half of 2014 and can boost PERODUA’s total production capacity by 100,000 units to 350,000 units per year. PERODUA also introduced for the first time, a 3-year free service maintenance for all PERODUA models sold effective March 2013.

Alza ‘S’ Series

PERODUA continued to garner awards and accolades for its products and services. They include -

- Asian Auto Fuel Efficiency Awards - Best Compact City Car for MyVi 1.3L;
- Frost & Sullivan Malaysia Excellence Awards - Value for Money Car of the Year for Viva;
- Frost & Sullivan Malaysia Excellence Awards - Best Model of the Year for MyVi; and
- AUTOCAR ASEAN Car of the Year Awards - Best Small/Mid-size MPV for Alza (advanced version).

OIL & GAS

REVIEW OF OPERATIONS

NAGA 4

DRILLING AND OILFIELD SERVICES

UMW OIL & GAS CORPORATION BERHAD ("UMW-OG")

UMW-OG is a Malaysia-based multinational provider of drilling and oilfield services for the upstream sector of the Oil & Gas industry. In the drilling services business, the company operates in both Malaysia and in other parts of Southeast Asia, providing drilling services for exploration, development and production wells with its fleet of offshore drilling rigs and workover services through its Hydraulic Workover Units ("HWUs"). UMW-OG currently owns and operates one (1) semi-submersible rig, NAGA 1 and three (3) premium jack-up rigs, UMW NAGA 2, UMW NAGA 3 and UMW NAGA 4. The company is currently scheduled to take delivery of four (4) more jack-up rigs in 2014 and 2015. In addition, UMW-OG owns and operates four (4) HWUs, UMW Gait 1, UMW Gait 2, UMW Gait 3 and UMW Gait 5, with an additional HWU which is scheduled to be delivered in 2014.

UMW-OG also acts as an agent in Malaysia for international companies providing specialised drilling equipment and services. In UMW-OG's oilfield services business, it offers threading, inspection and repair services for oil-country tubular goods ("OCTG") in Malaysia and abroad, with a focus on premium connections used in high-end and complex wells.

In 2013, UMW-OG's PBT increased by more than 100% from 2012, contributed by higher utilisation of NAGA 1, improved charter rate of UMW NAGA 2 and a full three quarters' contribution from UMW NAGA 4. The company's threading plants in China and Thailand also performed well for 2013, driven by increased drilling activities in the region. To punctuate a year of encouraging growth and positive performance, UMW-OG was listed on the Main Market of Bursa Malaysia Securities Berhad on 1 November 2013.

REVIEW OF OPERATIONS (OIL & GAS)


UMW Oil & Gas Corporation Berhad was listed on the Main Market of Bursa Malaysia Securities Berhad on 1 November 2013

UMW-OG's client-focused programmes have helped the company strengthen its operating footprint with UMW NAGA 4 securing a three-year (3-year) firm contract with PETRONAS Carigali with an extension option of another two (2) years, during the year under review. To further solidify the company's position in the domestic market, NAGA 1 was awarded an extension of contract to 2018, with an increase in day rate. In Vietnam, UMW NAGA 2 secured a six (6) months firm + six (6) months option contract with PetroVietnam Drilling & Well Services Corporation "(PV Drilling") for end-client Hoang Long Joint Operating Company. The six (6) months option was exercised and UMW NAGA 2 was subsequently awarded with a further four (4) months firm contract extension with an extension option of five (5) months. In addition, PV Drilling has shown its confidence in UMW-OG with the award of two additional contracts - one to UMW NAGA 3 to work for Japan Vietnam Petroleum Corporation and another to UMW Gait 3. UMW-OG's ongoing efforts in expanding its footprint in the ASEAN region have been fruitful, with its entry into the Philippines market via a contract with Nido Petroleum Philippines Pty. Ltd. for UMW-OG's newly-acquired premium jack-up rig, UMW NAGA 5.

ONSHORE DRILLING

UMW Sher (L) Ltd., ("UMW Sher")/Jaybee Drilling Private Limited, India ("Jaybee Drilling")

UMW Sher is the asset owner of Jaybee Drilling's rigs. Currently, UMW Sher owns three (3) onshore rigs, Sher 1, 2 and 3 - all operating in the State of Assam in Northeast India. UMW Sher returned to profitability in 2013 after suffering a loss in the previous year. Long-term contracts of 2 + 1 years were secured for both Sher 2 and Sher 3 with Oil India Limited.

Arabian Drilling Services L.L.C., Oman ("ADS")

ADS currently owns five (5) American-made super-single onshore drilling rigs. In 2013, it received long-term contracts (four years) for two of its rigs, with much higher day rates. Contractual rates in general however remained relatively low. Political unrest in the Middle East resulted in rising labour costs in Oman. As a result, ADS registered operational losses in 2013. Nevertheless, there remain good opportunities in Oman and ADS is confident of achieving better results in 2014.

MANUFACTURE OF OCTG & LINE PIPES

Zhongyou BSS (Qinghuangdao) Petropipe Co., Ltd., China ("Zhongyou BSS")

Zhongyou BSS sells and manufactures large diameter Longitudinal Submerged Arc Welded ("LSAW") and Spiral Submerged Arc Welded ("SSAW") steel pipes, and bend pipes for oil and gas transmissions, as well as offshore pipes for undersea pipelines. In 2013, Zhongyou BSS successfully accomplished trial production of a series of higher steel grades LSAW and SSAW pipes. This represents a breakthrough in the company's production capabilities. Trial productions of Offshore and Riser pipes were also successful and these high added-value products will enable Zhongyou BSS to penetrate new market segments in the near future.

REVIEW OF OPERATIONS (OIL & GAS)

During the year under review, Zhongyou BSS received a three-year (3-year) extension of its API accreditation, with its product scope expanded to include LSAW (Sour Service and X100 categories) and Offshore Pipe (PSL2). It further passed quality audits by international oil and gas companies namely, TOTAL S.A, ZETOM (Poland) and Petroleum Services Company W.L.L. Kuwait. Zhongyou BSS also won several awards during the year, including the High Quality Product of Hebei Province, China and Petroleum Industry Users' Satisfied Service Award.

Drill pipes

Shanghai BSW Petro-Pipe Co., Ltd., China ("Shanghai BSW")

Shanghai BSW's core business is in the manufacturing of SSAW pipes and the provision of external and internal coating for line pipes. In 2013, the company secured a new deal to supply 40,000 metric tonnes of pipes from an open market tender. The company's API certification was renewed in November of the year under review.

United Seamless Tubulaar Private Limited, India ("USTPL")

USTPL, which commenced operations in 2011, is a manufacturer of high grade OCTG. The company incurred operational losses in 2013 mainly due to the weakening of the Indian Rupee. A smaller portion of the loss was contributed by impairment and a provision for loan. During the year, there were also power outages and political issues in the State of Andhra Pradesh which adversely affected operations. USTPL is in discussions with strategic partners to improve the company's production and sales volumes. In spite of the US government's plan to impose countervailing duties on OCTG from India, there remain solid opportunities to explore in the Canadian, South American and other regional markets. USTPL expects to achieve better results in two to three years' time.

FABRICATION OF OIL AND GAS AND OTHER STRUCTURES

UMW Helmsion Engineering Pte. Ltd., Singapore ("UMW Helmsion")

UMW Helmsion repairs and fabricates steel structures for industrial lifting, handling and hoisting across a number of sectors in Singapore. Although 2013 revenue was lower than 2012, the company continued to contribute positively to the UMW Group.

SUPPLY OF OILFIELD PRODUCTS

UMW Oilfield International (M) Sdn. Bhd. ("UOIM")/ UMW Oilfield International (L) Ltd., ("UOIL")

UOIM and UOIL, collectively known as the UOI group, market, import, export and distribute equipment and component parts to the Oil & Gas industry, as well as provide technical support, consultancy and general services.

After suffering an impairment loss in 2012, UOIL bounced back in 2013 with a substantial increase in revenue and profit. Profitability was driven by the delivery of linepipes to Oman Gas Company S.A.O.C amounting to US$38.8 million. UOIL also received substantial orders from SB International, Inc., USA and TPCO Pan Asia Pte. Ltd., Singapore, for the supply of OCTG. UOIM unfortunately registered lower PBT in 2013, compared to 2012. This was mainly due to a lower profit margin for orders received in 2013.

Towards achieving positive performance in the year ahead, the UOI group will continue working together with partners Baoji Petroleum Steel Pipe Co., Ltd., China and USTPL to market products globally. The UOI group is also looking into opportunity to expand its product range to include a new brand name Soluforce, a reinforced thermoplastic pipe. This is in addition to its complete range of Oil & Gas carbon steel pipes ranging from line pipes, OCTG, drill pipes drilling equipment and accessories.

REVIEW OF OPERATIONS (OIL & GAS)

PFP Holdings Pty. Ltd., Australia ("PFP")

PFP supplies a complete range of piping and pressure vessel components, including pipes, flanges and fittings to the oil and gas and mining sectors. Gross margins held strong for PFP and were in line with historical trends. The company has been actively working on increasing revenue although this has been challenging due to inconsistent ordering activity levels. Tendering activities conducted by PFP in the 3rd and 4th quarters of 2013 resulted in a forward order book of AUD13 million, giving the company a strong start to 2014.

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., China ("STPPC")

The principal activities of STPPC includes interior coating processing, wear resistant hardbanding processing of drill pipes, tubing casing and line pipes, and other related products. The company achieved higher revenue and PBT in 2013 with increased sales and higher profit contribution from associated companies. In 2013, STPPC was awarded a Certificate for Foreign-Funded Enterprise with Advanced Technology. The Advanced Technology status conferred by this certificate allows the company to enjoy reduced tax rates. The year also saw STPPC successfully revamping and upgrading its production facilities to accommodate latest market demands and development. With the market expected to remain robust in 2014, and with new facilities, STPPC is confident of achieving an even better performance in the year ahead.

Jiangsu Tube-Cote Shuguang Coating Co., Ltd., China ("JTSC")

The business of JTSC includes interior surface coating processing business for drill pipes, tubing casing and other line pipes and other related products. It is mainly dedicated to development and construction for China National Petroleum Corporation, China Petroleum and Chemical Corporation and China National Offshore Oil Corporation drilling and production, and world oil companies. In 2013, PBT increased by more than 100% from 2012. JTSC's performance for the year was aided by the flow of projects from its sister company STPPC during the latter's upgrading works.

Sichuan Haihua Petroleum Steelpipe Co., Ltd., China ("Sichuan Haihua")

Sichuan Haihua is a relatively new Electric Resistance Welded pipe manufacturer. Its products include pipes with an outside diameter in the range of 101.6 mm to 355.6 mm. It is also involved in the pipe-coating business. While the start of production was delayed due to issues with its forming lines and slitting machines, the machines have since been successfully re-installed and re-aligned. Trial runs have commenced to ensure that pipes manufactured conform to API standards. The planned capacity for this plant is 120,000 metric tonnes per annum and full-scale production is expected to commence in 2015. Sichuan Haihua is also targeting to obtain ISO 9000, API and TSG certifications by mid-2014.

OILFIELD SERVICES

UMW Synergistic Generation Sdn. Bhd. ("USG")

USG is a total power solutions provider to the oil and gas, public utilities, industrial application and building construction sectors locally and abroad. In December 2011, USG received a contract from PETRONAS Carigali for the installation and commissioning of the Garraf Power Plant Project in Iraq. The company worked closely with PETRONAS Carigali to fulfil its contractual obligations and the 10-megawatt plant has been completed. Unfortunately, the unstable security situation in Iraq presented USG with unprecedented challenges. This included the closure of a port which led to the delayed supply of some equipment. Navigating the security situation in Iraq led to a cost-overrun and operational losses.

EQUIPMENT
REVIEW OF OPERATIONS

Komatsu excavator

HEAVY EQUIPMENT

UMW Equipment Sdn. Bhd./UMW (East Malaysia) Sdn. Bhd./UMW Niugini Limited, Papua New Guinea/UMW Engineering Services Limited, Myanmar (collectively known as the "Heavy Equipment Group")

Faced with challenging market conditions in 2013 from a softer construction sector and a drop in commodity prices, the Heavy Equipment Group was able to maintain respectable results in the year under review.

For its Malaysian operations, Komatsu products which constitutes a large percentage of the group's total turnover, was able to keep its market share of about 22% for 2013. The Komatsu premium-certified used equipment was introduced in 2013, targeting medium-sized customers and contractors on short-term projects.

Due to the suspension of jade mining activities, focus was on providing parts and related services to customers in the construction and forestry sectors. In the year under review, the Myanmar operations successfully secured tenders from the local government for the supply of parts to the latter's fleet of heavy equipment. The Myanmar operations also strengthened its manpower skills and competence to prepare for the anticipated opening up of the market in the future.

REVIEW OF OPERATIONS (EQUIPMENT)

INDUSTRIAL EQUIPMENT

UMW Industries (1985) Sdn. Bhd. ("UMW Industries")

UMW Industries distributes some of the world's most recognised names in material handling (Toyota/BT) and industrial floor cleaning (Tennant) equipment. It maintained its dominant market share of close to 50% in Malaysia's material handling equipment industry with the Toyota/BT full product range.

Throughout the year, UMW Industries continued practicing prudence in managing assets and costs, as well as intensifying customer-relationship building. The company worked closely with its principals to develop solutions best suited to the Malaysian market with emphasis on high productivity, safety, health and environment.


Toyota Order Picker


UMW Industries (1985) Sdn. Bhd. was awarded the President's Gold Award and Diamond Club Recognition at the Toyota Material Handling International Award ceremony

In 2013, UMW Industries received the following prestigious awards and recognitions -

- Toyota President's Gold Award from Toyota Material Handling International ("TMHI") for excellent performance in both sales and customer support;
- Diamond Membership to the prestigious TMHI Premier Club;
- SEAT Export Distributor of the Year Award from Tennant Company;
- Successful Strategic Key Account Winner from Tennant Company.

UMW Equipment & Engineering Pte. Ltd., Singapore ("UEEPL")

UEEPL is based in Singapore and is an exclusive distributor of Toyota/BT/Raymond material handling equipment and Komatsu construction equipment, and related spare parts.

UEEPL's market share improved to above 30% in 2013. Sales of big tonnage models also increased from the preceding year. The rental business has been providing the company with consistent revenue. To further capitalise on opportunities available in a growing rental market, UEEPL introduced its short-term rental services in 2013.

UEEPL was listed in the Singapore 1000 Emerging Companies 2013. The recognition is given to corporations and small and medium enterprises that have attained the highest achievements in the quantitative management of their companies.

REVIEW OF OPERATIONS (EQUIPMENT)

UMW Equipment Systems (Vietnam) Company Limited, Vietnam ("UESV")

The company registered higher sales volume compared to 2012. UESV recruited and trained more local personnel during the year to support its network expansion plans. A new branch office was established in Hanoi to enable UESV to better reach and serve its customers in the North of Vietnam. UESV plans to further expand to Central Vietnam and the Mekong Delta in 2014. It will continue to work closely with its principals to expand its business in Vietnam.

UMW Industrial Trading (Shanghai) Co., Ltd., China/ UMW Industrial Equipment (Shanghai) Co., Ltd., China/ Vision Fleet Equipment Leasing (Shanghai) Co., Ltd., China (collectively known as "UMW Shanghai")

UMW Shanghai is a dealer for Toyota, BT and Raymond forklifts in Shanghai and Zheijiang. In the year under review, UMW Shanghai reorganised its sales and after-sales service divisions and made adjustments to its current sales policies and service schemes. It received positive customer feedback for these changes and registered an increase in revenue. UMW Shanghai worked closely with Toyota Material Handling (Shanghai) Co. Ltd. to further strengthen its after-sales support to its customers.

UMW Shanghai opened a new branch in Jinhua during the year under review.

Honda Marine Engine

Case and Komatsu equipment product training

MARINE & POWER EQUIPMENT

UMW Industrial Power Sdn. Bhd. ("UMWIP")

UMWIP distributes marine engines, generator sets and air and gas compressors in Malaysia. The company retained its market leadership for marine engines in 2013.

During the year under review, UMWIP was appointed exclusive distributor by PDC Machines Inc., USA, a manufacturer of high pressure diaphragm compressors. The product handles specialised gases and is used in the manufacturing of semi-conductors, chemicals, petro-chemicals and pharmaceuticals, among others.

In 2013, UMWIP received the Market Development Award (Asia-Pacific Region) from its principal, Cameron Centrifugal Compression Systems, USA.

MANUFACTURING & ENGINEERING

REVIEW OF OPERATIONS

Toll-blending of Pennzoil lubricants

UMW Advantech Sdn. Bhd. ("UASB")

UASB is engaged in the manufacturing and distribution of filters, plastic engineering products and spare parts for various automotive and industrial applications. In 2013, the company registered higher revenue and operating margins, leading to a 6.4% increase in PBT from the previous year.

Revenue growth was partly driven by an increase in production volume at the PERODUA plant, as well as aggressive parts sales promotions at PROTON and PERODUA service centres. Continuous cost management and efficiency initiatives carried out by UASB resulted in savings of RM2.7 million in the year under review.

UASB received a special recognition award for 20 years' Excellent Distribution & Partnership from PERODUA in 2013. The year also saw UASB being re-certified with EMS ISO 140001 and OHSAS 18001:2007.

The company will partner Roki Co. Ltd., Japan ("Roki"), to supply filtration systems to Honda Malaysia. The supply is expected to commence in the 2nd quarter of 2014. Roki is the original equipment manufacturer for Honda's filtration system in Japan. This collaboration will allow UASB to localise the filtration system for the new Honda Accord and Civic in Malaysia, as well as the new PROTON Perdana, which will be built based on the eighth-generation Honda Accord.

REVIEW OF OPERATIONS (MANUFACTURING & ENGINEERING)

Launch of Repsol Moto Formula Premium 4T 10W40 and Moto Formula 4T 10W40 multigrade oil

Lubetech Sdn. Bhd. ("Lubetech")/UMW Pennzoil Distributors Sdn. Bhd. ("UPD")/UMW Lubricant International Sdn. Bhd. ("ULI") (collectively known as the "Lube Group")

Lubetech is involved in full chain lubrication contract manufacturing services, UPD markets, sells and distributes PENNZOIL lubricants throughout Malaysia while ULI is the exclusive importer and distributor of REPSOL lubricants and industrial products. An effective sales campaign on higher margin products combined with various cost reduction measures boosted the Lube Group's PBT by more than 100% in 2013 from the previous year. The Lube Group also achieved better market penetration, with market share of PENNZOIL and REPSOL products increasing to 12%.

In 2013, the Distribution Agreement with REPSOL was extended for another ten (10) years. Localisation of REPSOL Formula 4T, a motorcycle oil which benefits from a higher profit margin, was carried out. New contracts to supply lubricants to a key Government agency and to a renowned replacement parts manufacturer, were also secured.

The year also saw the Lube Group work closely with its business partners, UMW Toyota Motor and JX Nippon Oil & Energy Asia Pte. Ltd. to improve, enhance and validate critical processes. In March 2013, Lubetech began working towards ISO/IEC 17025 certification for its laboratory. ISO/IEC 17025 is the main quality and competency standard used by testing and calibration laboratories internationally. The final ISO/IEC 17025 certification audit for Lubetech will be completed in February 2014.

Lubritech International Holdings Limited/Lubritech Limited, China (collectively known as "Lubritech")

Lubritech manufactures and distributes premium lubricants in China. In just two and a half years of operations, Lubritech has grown to become REPSOL's largest lubricant partner in Asia.

2013 proved to be a challenging year for the manufacturing sector in China as the national economy remained sluggish. The automotive industry however, continued to grow at double-digit rates, driving up consumer demand for automotive lubricants. For the year under review, Lubritech's total revenue increased by an encouraging 85% while pre-tax loss was reduced by 21%, from 2012.

Lubritech's REPSOL production volume grew by more than 500% in 2013, in tandem with a 70% increase in network sales. Lubritech has been conducting intensive advertising and promotion campaigns for REPSOL in China, strengthening the brand's presence and reputation on the high street.

During the year, Lubritech also secured new key accounts with First Automobile Works of China (FAW) which assembles car under Mazda, Red Flag and Besturn brand marques. Cost-reduction initiatives implemented in 2013 led to total annual savings of RMB3 million. Lubritech will continue to grow key accounts aggressively, actively explore new business opportunities and implement innovative cost-management measures as part of its push towards profitability.

In March 2013, Lubritech was certified with TS16949 - the International Quality Management Standard specifically established by the automotive industry. The certification is internationally recognised throughout the automotive supply chain as an industry benchmark. Lubritech is one of the few lubricant plants in China to receive this prestigious certification.

KYB-UMW Malaysia Sdn. Bhd./KYB-UMW Steering Malaysia Sdn. Bhd. (collectively known as the "KYB-UMW Group")

The KYB-UMW Group manufactures and assembles automotive shock absorbers, motorcycle suspension units and power-steering pumps, for both local and overseas markets. In 2013, the KYB-UMW Group registered higher sales in the export market. Material costs were also lower due to the appreciation of Ringgit Malaysia against the Japanese Yen. Cost reduction activities carried out by the KYB-UMW Group resulted in total savings of RM2,471,964 for 2013. All these factors contributed to a 4.5% increase in PBT from the previous year.

REVIEW OF OPERATIONS (MANUFACTURING & ENGINEERING)

Manufacturing of automotive shock absorbers and motorcycles suspension units at KYB-UMW

For the domestic market, the new National Automotive Policy announced by the Malaysian Government is expected to result in a gradual reduction of car prices, and this may consequently result in pressure to reduce prices of related automotive parts. As such, the KYB-UMW Group plans to continue pushing its replacement market ("REM") export business for future growth. Sixty-three (63) new parts numbers have been awarded to the KYB-UMW Group by KYB Corporation Japan to be developed for REM export in 2014. In tandem with this, the Ideal Factory Project 2017 was launched at the end of 2013. The project aims to level-up the KYB-UMW Group's manufacturing facilities and cement its position as a globally-competitive manufacturing base by 2017.

Sathya Auto Private Limited, India ("Sathya")

Sathya manufactures automobile components such as jacks, toolkits, wheel hubs, wiper arms, stampings and hot forgings. The company's market share for jacks grew from 33% in 2012 to 40% in 2013. Revenue increased by 42% due to higher contributions from Plant 1 and increased capacity utilisation at Plant 3. Supply of wiper arms to Hyundai also commenced during the year under review. Despite the higher revenue, a substantial increase in power cost and foreign exchange differences led to a pre-tax loss for 2013.

The company has increased unit per hour in production, as part of its efforts to manage rising operational costs. Sathya will begin supplying jacks to Volkswagon and Nissan, and toolkits to Toyota in 2014. This is expected to positively impact the company's performance for the year ahead.

For the second consecutive year, Sathya received an appreciation award from Toyota for quality, delivery and cost. Sathya also received the CE Mark certification for its jacks, denoting that it conforms to European Union standards. Plant 3 was certified with TS16949. The company has also started working towards ISO 14001 and OHSAS 18001 certification.

UMW Dongshin Motech Private Limited, India ("UMW Dongshin")

UMW Dongshin is involved in the original equipment market ("OEM") for stamped automotive body parts in India, and is a premier supplier of Body-in-White and chassis parts to a niche global market. Although the Indian automotive industry continued its downward trend in 2013, UMW Dongshin saw an increase in business with various OEMs. The company secured new customers, Honda and Ford, during the year under review. UMW Dongshin also added a new item to its product range - a control arm, which it currently supplies to Ford. Revenue increased by 70% from 2012, but the company's profitability was adversely affected by foreign exchange losses.

As part of UMW Dongshin's plans to improve future performance, cost reduction initiatives will be a key focus area. Localisation programmes for General Motors India for their M300 model, which among other things involved raw materials and fasteners, are already being implemented. In a bid to capture new business opportunities as well as expand its customer base, the company has been continuously enhancing its technical capabilities and production systems. To support all this, as well as to ensure proper monitoring of operations and performance, Enterprise Resource Planning software implementation is among the company's top priorities.

Castwel Auto Parts Private Limited, India ("Castwel")

Castwel produces aluminum die casting automotive parts. In 2013, the company's revenue increased by 19% while operating loss further declined by half from the previous year. During the year under review, operational efficiency continued to improve after the company's adoption of the Toyota Production System on the production floor. The company continues to build its customer base and receives consistent orders for power steering systems from Mando India Ltd. Taeyong Metal India Pvt. Ltd. and GSB India Pvt. Ltd. The company has put together a considerable amount of effort to prepare all three of its plants in a competitive position within the industry. It is confident that with further improvement in sales, the company will make its turnaround and be profitable next year.

SUPPORT OPERATIONS

REVIEW OF OPERATIONS

Launch of TCAP Mobile

Toyota Capital Malaysia Sdn. Bhd. ("TCAP")

2013 was another successful year for TCAP. It achieved double-digit growth with managed assets of RM4.34 billion as at the end of the fiscal year. TCAP's customer base registered a year-on-year growth of 13% with the number of customers exceeding the 100,000 mark as at the end of the fiscal year.

In September 2013, TCAP launched its iPad-based loan application and approval system known as TCAP Mobile. TCAP is the first company in the automotive financing industry to implement such a system. This technology allows for 24/7 loan submissions from anywhere with an internet connection. It has improved significantly approval turnaround time, in line with the company's goal of improving customer satisfaction and enhancing competitiveness.

TCAP also introduced the innovative Key-for-Key programme which allows existing Toyota and Lexus customers to conveniently upgrade to new versions/ models of their car. The programme promotes shorter trade cycle management which benefits both UMW Toyota Motor and its customers.

To enhance treasury operations and liquidity management, TCAP engaged SunGuard Asia Pacific Inc to implement a new Treasury Management System ("TMS") in November 2013. TMS, scheduled for completion in 2014, is designed to enable real-time cash flow forecasting and analysis for asset-funding planning and enhance risk management to support TCAP mid-term plan.

TCAP will continue to invest in IT infrastructure and talent management to achieve real competitiveness in providing greater support to Toyota and Lexus sales in Malaysia.

U-TravelWide Sdn. Bhd.

The Company experienced another positive year in 2013 with higher PBT. For the 9th year running, the company received the Outstanding Sales Achievement Award in the Diamond Category from Malaysian Airline System Berhad. The company is confident of a similar trend in the year ahead.

UMW Development Sdn. Bhd. (formerly known as UMW-PNSB Development Sdn. Bhd.)

During the year, the company initiated extensive marketing programmes to attract potential buyers and developers to submit proposals and provide various options in unlocking the value of its remaining land in Serendah.

UMW Excellence Award 2012 Hall of Fame winner, UMW Toyota Motor Group

CORPORATE GOVERNANCE STATEMENT

GOVERNANCE FRAMEWORK

The Board of Directors, management and employees of the Group affirm and remain resolute in the Group's commitment to enhance shareholder value by way of upholding the highest standards of Corporate Governance ("CG") practices. The governance framework adopted by the UMW Group is based on the principle that sound CG practices are fundamental towards long term sustainability of business and values.

The adoption and implementation of CG is the direct responsibility of the Board, in line with the regulatory and statutory requirements imposed by the authorities. Continuous review and adherence to strong CG practices help align compliance levels to international standards and best practice.

During the year, the governance framework was further enhanced taking into consideration the pertinent recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or "the Code").

STAKEHOLDERS

▲

BOARD OF DIRECTORS OF UMW HOLDINGS BERHAD

▲

AUDIT COMMITTEE	**NOMINATION COMMITTEE**	**REMUNERATION COMMITTEE**	**INVESTMENT & RISK MANAGEMENT COMMITTEE**	**WHISTLE-BLOWING COMMITTEE**

▲

FLAGSHIP BOARDS

▲

PRESIDENT & GROUP CEO

▲

MANAGEMENT COMMITTEE

▲ ▲ ▲ ▲ ▲

AUTOMOTIVE	**OIL & GAS**	**EQUIPMENT**	**MANUFACTURING & ENGINEERING**	**OTHERS**

CORPORATE GOVERNANCE STATEMENT

The Group's CG framework is a reflection of the way strategic and operational activities are managed. The roles of stakeholders, the Board, the Committees of the Board ("Board Committees"), Flagship Boards and management are distinctly different but complementary in attaining the Group's core objectives. The holding company formulates strategies to optimise Group performance and oversees activities at the consolidated level, while the core businesses retain the necessary authority and responsibility for conducting their own operations.

The Board had, in 2012, established Flagship Boards ("FB") to provide the appropriate level of dedicated oversight by having members of the FB focus on the core businesses of the respective divisions. Each FB has representatives from the Board to ensure clear and unambiguous oversight from the Board on the divisions. Similarly, management representation on each FB enables a reasonable degree of supervision and control.

Subject always to the direction and counsel of the Board and compliance with any policies and delegated authority limits set by the Board, the roles of the FB are -

1. To oversee the operations of the respective divisions, which include, but are not limited to, overseeing their business strategy and performance, human capital management, CG and risk management practices;

2. To fulfil its statutory and fiduciary responsibilities of monitoring the management and financial risk processes, and accounting and financial reporting practices of the divisions;

3. To review the business efficiency and quality of the accounting function, financial reporting and system of internal controls of each division;

4. To enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions; and

5. To ensure that an effective ethics programme is implemented across the divisions, and to monitor compliance with established policies and procedures.

The FBs may establish their own board committees to assist them in fulfilling their duties and responsibilities.

Countries of UMW's Operations

- Australia
- China
- Hong Kong
- India
- Indonesia
- Malaysia
- Myanmar
- Oman
- Papua New Guinea
- Singapore
- Taiwan
- Thailand
- Turkmenistan
- Vietnam

This Statement on CG serves to outline how the Board has applied the principles set out in the Code.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

Board Composition and Balance

UMW continues to be led by a mix of active, engaged, qualified and experienced Board members who are made up of industry leaders from diverse sectors and backgrounds such as legal, accounting and finance, engineering, business management, public administration and also from the Group's core businesses.

At present, the Board consists of nine (9) members, comprising eight (8) Non-Executive Directors ("NEDs"), including the Chairman, and one (1) Executive Director ("ED") designated as President & Group Chief Executive Officer ("PGCEO").

The Chairman is a Non-Independent NED. Three (3) of the Board members are Independent NEDs, which fulfils the criteria of independence as defined in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). They act independently of management, do not participate in any business dealings and are not involved in any other relationship with the Group that may impair their independent judgment and decision-making.

In line with the recommendation of MCCG 2012, the Board has implemented a nine-year policy for Independent NEDs, which has been incorporated in the UMW Board Charter. At present, none of the Independent NEDs has served more than nine (9) years on the Board.

The size and composition of the Board are reviewed from time to time. The Board considers and confirms that the present size of the Board is deemed appropriate to oversee the Group's overall businesses.

The profile of each Director is set out in the Directors' Profile on pages 12 to 20 of this annual report.

Non-Independent Chairman

The Chairman, Tan Sri Asmat bin Kamaludin, being a nominee of Permodalan Nasional Berhad, has been a Non-Independent NED since his appointment to the Board on 20 February 2001. As the Chairman is Non-Independent and in compliance with the Code's recommendation relating to Board membership being majority Independent Directors, UMW will endeavour to increase the number of Independent Directors on the Board as advocated by the Code.

Senior Independent Non-Executive Director

Dato' Siow Kim Lun is the Senior Independent NED to whom concerns relating to the Group may be conveyed by shareholders and other stakeholders. This position has been held by Dato' Siow since 11 October 2013. He has the role of supporting the Chairman in ensuring all Independent Directors have an opportunity to provide their views and comments on the affairs of the Group. All concerns relating to the Group can be conveyed to him via his email address at kimlun22@gmail.com.

CORPORATE GOVERNANCE STATEMENT

Functions, Roles and Responsibilities

The responsibility in governing, guiding and monitoring the entire performance of the Group rests entirely on the Board. The Board is led by the Chairman, who is independent of management and whose principal responsibility is to ensure the effective running of the Board. Except for matters reserved for shareholders, the Board is the ultimate decision-making body of the Group.

The Board assumes the following specific duties, which are discharged in the best interests of the Company in pursuance of integrated regulatory and commercial objectives -

1. Establishing and reviewing the strategic direction of the Company;

2. Overseeing and evaluating the conduct of the Company's businesses;

3. Identifying principal risks and ensuring that risks are properly managed;

4. Establishing a succession plan;

5. Ensuring the existence of a good investor relations programme and shareholder communication policy; and

6. Reviewing the adequacy of the internal control policy.

The Board takes full responsibility and accountability for the smooth functioning of core processes involving Board governance, financial reporting, risk management, business values and ethical oversight. To facilitate the effective discharge of these responsibilities, dedicated Board Committees have been established with clear terms of reference ("TOR") and/or clear written procedures determining which issues require a decision of the full Board and which issues can be delegated to the Board Committees, FB or management.

The Board also reserves full decision-making powers on the following matters -

1. Material acquisitions and disposal of assets;

2. Investments in capital projects;

3. Authority levels;

4. Treasury policies;

5. Risk management policies;

6. Key human resource issues; and

7. Conflict of interest issues relating to a substantial shareholder or a Director.

The Board is responsible for exercising reasonable care towards protecting the Group's resources and safeguarding the Company's assets. Proposed strategies for the current and ensuing financial years are presented to the Board for approval. Information is provided to enable them to discharge their duties in the best interests of the Company. The financial performance of the Company is reviewed and reported on a quarterly basis by both management and the Board.

CORPORATE GOVERNANCE STATEMENT

The Board provides strategic direction, oversees the investment of the Group and guides the Group in promoting its core values, policies and objectives. The Group believes that an active, well-informed and independent Board is necessary in ensuring sound CG practices which are pre-requisites towards the Group's continued growth, success and excellent reputation.

The Board is committed in ensuring that there is diversity and completeness in its deliberations. With the diversity of perspective, the Board is able to discharge its fiduciary duties effectively.

The Independent NED fulfils a pivotal role in corporate accountability by providing independent views, advice and judgment to ensure a balanced and unbiased decision-making process and objectivity without being subordinated to operational considerations. The Board recognises the importance of the role of the Independent NED, particularly in ensuring that strategies proposed by management are fully deliberated on and examined objectively, taking into perspective, among others, the long-term interests of shareholders as well as other stakeholders and the community at large. NEDs help the Board to think through projects, challenge underlying strategies and examine options. They bring fresh and wider views to Board discussions and decision-making processes. NEDs' independence, objectivity and business acumen complement the detailed knowledge and experience of management.

There is a clear division of responsibilities between the Board and management. The Management Committee ("MC") is responsible for the implementation of Board decisions, overall responsibilities over the day-to-day operations of the Group's business and operational efficiency.

Directors' Code of Ethics

The Directors' Code of Ethics was adopted by the UMW Board on 21 August 2009. It has been adapted from the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia and the Companies Act, 1965 ("CA 1965"). The principles on which the Code of Ethics relies are those that concern transparency, integrity, accountability and corporate social responsibility. In the case of UMW, being a Government-Linked Company ("GLC"), the Code of Ethics complements the main policy thrusts of the GLC Transformation Manual launched on 29 July 2005 by the Putrajaya Committee of GLC High Performance.

Board Charter

The Board Charter, which was adopted by the UMW Board on 21 January 2008, is aimed at ensuring that all Directors acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct. It also ensures that the principles and practices of good CG are applied in all their dealings in respect of and on behalf of the Company.

The Directors of all operating subsidiaries in the Group constantly adhere to the Code of Ethics and Board Charter which provide guidance to Directors to recognise and manage ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability.

The Board Charter has been revised to align it with recent changes in regulations and best practices. On 24 April 2014, the revised Board Charter was adopted by the Board. A copy of the Board Charter is published on the Company's website.

Whistle-Blowing Policy and General Guidelines

In line with the Board's commitment to maintain the highest possible standard of professionalism, ethics and legal conduct in the Group's business activities, a Whistle-Blowing Policy and General Guidelines was adopted on 20 May 2009. This policy welcomes disclosures of suspected wrongdoings that include mismanagement, malpractices, corrupt practices, fraud and abuse of power or breach of any laws and regulations by any member of the Board, management or employee. This policy provides employees with an accessible avenue to report wrongdoings in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate matter and without fear of reprisal.

CORPORATE GOVERNANCE STATEMENT

Separation of Duties and Responsibilities of Chairman and PGCEO

The Board believes in and practices a separation of duties and responsibilities between the Chairman and the PGCEO to ensure a clear segregation of responsibility and accountability, proper balance of authority and greater capacity for independent decision-making. The clear division of responsibilities allows the Chairman to assume the formal role of an independent leader in setting the policy framework of the Group and effective conduct of the Board. He ensures and facilitates flow of information between management and the Board and that information relating to issues on the agenda is disseminated to all Directors well before deliberation at Board meetings. The Chairman encourages active participation of Board members in discussions and provides reasonable time for discussion of complex issues under review. Decisions reached at meetings reflect the consensus of the whole Board and not the views of any individual or group.

At Annual General Meetings ("AGMs") and other shareholders' meetings, the Chairman, Tan Sri Asmat bin Kamaludin, plays a pivotal role in accommodating constructive dialogue between shareholders, the Board and management.

The PGCEO, Datuk Syed Hisham bin Syed Wazir, has headed the MC, the highest management body in the Group, since his appointment to the Board on 1 October 2010. He is accountable to the Board and ultimately to the shareholders. He is primarily responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies, which include performance targets and long-term goals established by the Board. However, the views of management are represented at meetings of the Board by the presence of senior executives whenever required. Datuk Syed Hisham is directly accountable to the Board and responsible for communicating matters relating to the Group's business affairs and issues to the Board. His vast experience, business knowledge and skills attained from senior managerial positions held prior to his appointment to the Group contribute significantly towards the attainment of the Group's goals and objectives.

Board Meetings

The Board meets twelve (12) times a year on a scheduled basis with additional meetings convened as Special Board meetings as and when situations require urgent Board deliberation and decisions.

A total of seventeen (17) Board meetings were held during the year under review to deliberate on business performance reports of the Company and its major subsidiaries and associated companies, evaluate the feasibility of business propositions and corporate proposals, prevailing economic issues, risk management, strategies and direction, and standards of conduct and compliance by the Group.

All Directors complied with Paragraph 15.05(3)(c) of the Bursa Securities MMLR which states that the office of a Director will become vacant if the Director is absent from more than 50% of the total Board meetings held during a financial year.

From time to time, the Company's Board meetings are held at locations within the Group's business operations, to give Directors a better perspective of the Group's businesses and to improve their understanding of the operations.

BOARD COMMITTEES

To assist the Board in discharging its duties, the Board has established several Committees, namely the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC"), Investment & Risk Management Committee ("IRMC") and Whistle-Blowing Committee ("WBC"). The delegation of certain responsibilities of the Board to its Committees is necessary as there is now greater reliance on Board Committees to respond to complex challenges of the business. The establishment of these Committees is made in accordance with Article 135 of the Company's Articles of Association.

The Board Committees operate within clearly-defined TOR, operating procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure that they are relevant and up-to-date.

CORPORATE GOVERNANCE STATEMENT

Details of the TOR of the AC of the Board are set out on pages 24 to 27 of this annual report. Details of the TOR of the NC, RC, IRMC and WBC are set out from pages 58 to 67 of this annual report.

The Board receives regular reports on the Board Committees' proceedings and deliberations. On matters reserved for the Board and where the Board Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board's deliberation and endorsement. Decisions of the Board Committees are incorporated into the minutes of meetings of the Board.

Independent and NEDs play a leading role in the Board Committees, whilst management and third parties are co-opted into the Board Committees as and when required.

Nomination Committee

The primary objectives of the NC are to -

1. Identify and recommend to the Board, nominees qualified to serve on the Board, including the PGCEO and Board Committees;

2. Oversee the evaluation of the Board and Board Committees and of individual Directors;

3. Establish qualitative and quantitative performance criteria (Key Performance Indicators or KPIs) of senior executives; and

4. Review and approve the appointment of the Group's key management personnel, including the Group Secretary of UMW.

Nominations may come from a wide variety of sources, including Directors' pool, senior employees of the Group, shareholders, industry associations, recruiting firms and others.

Composition

The NC shall be appointed by the Board from amongst its Directors and shall comprise no fewer than three (3) members, all of whom must be NEDs, with a majority of them being Independent Directors.

The NC comprises the following -

1. Dato' Siow Kim Lun, Senior Independent NED (Chairman);
2. Dr. Leong Chik Weng, Non-Independent NED; and
3. Khalid bin Sufat, Independent NED.

No Alternate Director shall be appointed as a member of the NC.

The Group Secretary is also Secretary of the NC.

CORPORATE GOVERNANCE STATEMENT

Terms of Reference

The responsibilities of the NC include the following -

1. Identify and make recommendations to the Board on new candidates for appointment to the Boards of UMW and its subsidiaries and associated companies;

2. Review and make recommendations to the Board the appointment of Directors to fill seats on Board Committees;

3. Annually review the required mix of skills, experience and other qualities of the Board including gender diversity, where appropriate, and core competencies, which NEDs should bring to the Board;

4. Annually carry out the processes for evaluating the effectiveness of the Board, the Board Committees and the performance and contribution of each individual NED, including Independent NEDs, identify areas for improvement and develop and recommend to the Board action plans for improvement, where applicable;

5. Make recommendations to the Board for the re-election/re-appointment of Directors retiring by rotation, at the AGM of the Company;

6. Establish qualitative and quantitative performance criteria KPIs for the PGCEO and senior-most executives in the Group (Job Grades 22 and above), for recommendation to the Board;

7. Review the performance of the PGCEO and senior-most executives in the Group (Job Grades 22 and above) for determining the annual performance-based reward and for approving the renewal of their service contracts, when applicable;

8. Review management's proposals for the appointment, dismissal and appeal, transfer and promotion of senior-most executives in the Group (Job Grades 22 and above), for recommendation to the Board;

9. Review and approve the performance of the Head of the Group Internal Audit Division based on recommendations by the AC, and the Group Secretary;

10. Make recommendations to the Board on plans for succession for members of the Board, PGCEO, Group Secretary and the Group's senior-most executives (Job Grades 22 and above);

11. Review and approve the human resource strategy and plan, including succession management framework and human resource activities and initiatives, and the annual manpower budget, for recommendation to the Board;

12. Recommend the engagement of external professional advisors to assist/advise the NC on leadership needs of the UMW Group, where necessary; and

13. Carry out any function defined by the Board.

CORPORATE GOVERNANCE STATEMENT

Authority

The NC shall have the authority to make decisions on matters which fall within its responsibilities or to submit to the Board its recommendations on matters which are within its purview, for the Board's consideration and approval.

The NC shall also obtain independent professional advice and may request the attendance of persons at NC meetings, if necessary.

Evaluation and Selection Process

In reviewing the performance of the Board and the contribution of the Chairman and individual Directors, performance shall be assessed and measured against amongst others, the Group's strategic plan, principle duties expected of the Board, the Chairman and individual Directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution.

The evaluation process shall take into account whether -

1. NEDs have adequate time to spend on matters pertaining to the Company's operations;

2. Full consideration has been given to succession planning, taking into account the challenges and opportunities facing the Company and what skills and expertise are needed in the Board in the future;

3. Review of the structure, size and composition (including the skills, knowledge and experience) and gender diversity of the Board has been undertaken and changes recommended to the Board;

4. Appropriate recommendation have been made to the Board on the re-election/re-appointment of NEDs; and

5. Leadership needs of the organisation, both executive and non-executive, has been reviewed.

The selection process shall apply as follows -

1. Potential candidates are referred to the NC for consideration and subsequently for recommendation to the Board;

2. The NC will determine appropriate means for seeking additional candidates, including engagement of outside consultants to assist the NC in identification of candidates;

3. Shareholders who wish to suggest candidates should submit their suggestions in writing to the Chairman of the Board, NC, PGCEO or Group Secretary providing relevant information about the candidates;

4. The NC shall decide on the appropriate means for the review and approval of individual candidates. In the event of a vacancy the members of the NC shall initiate efforts to identify appropriate candidates; and

5. In formulating its recommendation, the NC will consider not only the findings and conclusion of its evaluation process, but also the current composition of the Board, the attributes and qualifications that should be represented at the Board and the recommendations of the principles of the MCCG 2012.

CORPORATE GOVERNANCE STATEMENT

Meetings, Quorum and Procedures

The NC shall meet six (6) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the NC.

The quorum for the NC shall be two (2) members.

Each member of the NC is entitled to one (1) vote on all matters deliberated at the meeting. In the case of an equality of votes, the Chairman of the NC shall be entitled to a second or casting vote.

The following persons shall attend NC meetings -

1. PGCEO;
2. ED, Group Human Resource Division; and
3. Other Board members and representatives as deemed necessary.

During the year ended 31 December 2013, the NC met ten (10) times, details of which are given in pages 68 to 69 of the annual report.

Reports/Minutes

The approved minutes of all NC meetings shall be tabled to the Board for notation and kept by the Secretary as evidence that the NC has discharged its functions.

The Chairman of the NC shall report to the Board on significant issues after each NC meeting.

Summary of Activities

The following activities were carried out by the NC during the financial year ended 31 December 2013 -

1. Reviewed and recommended the following for Board approval -

    - Extension of service of retiring employees in key management positions;
    - New contract of service and renewal of contract of service for employees in key management positions;
    - Directors retiring by rotation and re-election to the Board;
    - Appointment of Directors to the Board and Board Committees;
    - Appointment of Directors on the Boards of companies in the Group;
    - Setting of KPIs for the PGCEO and other senior management;
    - Assessment of the performance of the PGCEO and other senior management;
    - Proposals on the appointment and promotion of senior management personnel of the Group;
    - Policy on official age of retirement for employees;
    - Revision to the Group Human Resource Blueprint;
    - Manpower planning for the UMW Group of Companies;
    - Revision to the approval matrix relating to the Human Resource function; and
    - New organisation structure of the Oil & Gas Division.

2. Conducted an assessment on the effectiveness of the Board, Board Committees, individual Directors and PGCEO and recommended improvement plans for the same.

3. Reviewed with management on the Employee Engagement initiatives, Leadership Assessment Framework and Job Evaluation Exercise.

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee

The primary objective of the RC is to assist the Board in developing the Group's remuneration policy framework and determining the remuneration package for EDs and members of the senior management of the Group.

Composition

The RC shall be appointed by the Board from amongst its Directors and shall comprise no fewer than three (3) members, all of whom must be NEDs.

The RC comprises the following -

1. Khalid bin Sufat, Independent NED (Chairman);
2. Dr. Leong Chik Weng, Non-Independent NED; and
3. Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani, Non-Independent NED.

No Alternate Director shall be appointed as a member of the RC.

The Group Secretary is also Secretary of the RC.

Terms of Reference

The responsibilities of the RC include the following -

1. Formulate the framework for remuneration and compensation of Directors covering fees, allowances and benefits-in-kind for the Board, Board Committees and the PGCEO;

2. Review the remuneration/compensation policies for the members of the Board, Board Committees and the PGCEO;

3. Review and recommend to the Board the remuneration of EDs and all executives in Job Grades 22 and above;

4. Review and approve the remuneration package of the Group Secretary and the Head of the Group Internal Audit Division ("GIAD");

5. Make recommendations to the Board after reviewing management's proposals on the following -

    - overall salary increment guidelines/limits for all non-unionised staff;
    - annual bonus limits/guidelines;
    - ex-gratia for unionised staff; and
    - remuneration/compensation, benefits and other terms and conditions of employment in line with industry standards;

6. Recommend the engagement of external advisors to assist and/or advise the RC on remuneration matters, where necessary; and

7. Carry out any function defined by the Board.

CORPORATE GOVERNANCE STATEMENT

Authority

The RC shall have the authority to make decisions on matters which fall within its responsibilities or to submit to the Board its recommendations on matters which are within its purview, for the Board's consideration and approval.

The RC shall have the right to obtain independent professional or other advice and may request the attendance of persons at RC meetings, if necessary.

Meetings, Quorum and Procedures

The RC shall meet six (6) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the RC.

The quorum for the RC shall be two (2) members.

Each member of the RC is entitled to one (1) vote on all matters deliberated at the meeting. In the case of an equality of votes, the Chairman of the RC shall be entitled to a second or casting vote.

The following persons shall attend RC meetings -

1. PGCEO;
2. ED, Group Human Resource Division; and
3. Other Board members and representatives as deemed necessary.

During the year ended 31 December 2013, the RC met ten (10) times, details of which are given in pages 68 to 69 of the annual report.

Reports/Minutes

The approved minutes of all RC meetings shall be tabled to the Board for notation and kept by the Secretary as evidence that the RC has discharged its functions.

The Chairman of the RC shall report to the Board on significant issues after each RC meeting.

CORPORATE GOVERNANCE STATEMENT

Investment & Risk Management Committee

The IRMC was established on 20 May 2010. The primary objective of the IRMC is to assist the Board in reviewing project feasibility and financials in detail with management prior to submission to the Board for approval.

The IRMC also assists the Board in monitoring the performance of projects against original targets, and also to review possible risk factors affecting projects and recommending measures to mitigate such risks.

Composition

The IRMC shall be appointed by the Board from amongst its Directors and shall comprise no fewer than three (3) members, majority of whom must be NEDs.

The IRMC shall comprise the following -

1. Dr. Leong Chik Weng, Non-Independent NED (Chairman);
2. Dato' Mohd. Nizam bin Zainordin, Non-Independent NED;
3. Dato' Siow Kim Lun, Senior Independent NED;
4. Tan Sri Hasmah binti Abdullah, Independent NED; and
5. Datuk Syed Hisham bin Syed Wazir, PGCEO.

No Alternate Director shall be appointed as a member of the IRMC.

The Group Secretary is also Secretary of the IRMC.

Terms of Reference

The responsibilities of the IRMC include the following -

1. Investment/Divestment

    - Review and evaluate all non-motor investment and divestment proposals with management and to decide on projects to be submitted to the Board for approval, together with additional recommendations thereon, if any.
    - Call for any additional information that may be required, including research or survey material or presentations from relevant external experts, make site visits, meet relevant persons connected with the project and take any other steps necessary for the purpose of gauging the long-term merits of the investment/divestment.
    - Conduct periodic monitoring of all approved projects against original targets and to make periodic reports thereon to the Board.
    - Recommend to the Board for continuance or termination of projects that do not meet targets for a prolonged period of time.
    - Recommend to the Board any proposal for amending the present investment/divestment guidelines, policies or strategies.
    - Look into any other relevant matters including but not limited to investment/divestment proposals, as defined by the Board.

2. Risk Management

    - Monitor the consistent enforcement of Enterprise Risk Management ("ERM") policy across the UMW Group.
    - Review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators.
    - Provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development.
    - Provide half-yearly reports to the Board on ERM.

CORPORATE GOVERNANCE STATEMENT

Authority

The IRMC shall have the authority to approve any investment/divestment proposal that involves a sum up to RM10 million.

The IRMC shall also have the authority to make decisions on matters specified in the Financial Limits of Authority Guidelines of the UMW Group and within the purpose and responsibilities of the IRMC.

The IRMC may, from time to time, submit to the Board its recommendation on matters which are within its purview, for the Board's consideration and approval.

The IRMC shall have the right to obtain independent professional advice and may request the attendance of persons at IRMC meetings, if necessary.

Meetings, Quorum and Procedures

The IRMC shall meet six (6) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the IRMC.

The quorum for the IRMC shall be two (2) members, both of whom shall be NEDs. In the absence of the Chairman, another NED shall take the Chair for the meeting.

Each member of the IRMC is entitled to one (1) vote on all matters deliberated at the meeting. In the case of an equality of votes, the Chairman of the IRMC shall be entitled to a second or casting vote.

The following persons shall attend IRMC meetings -

1. Group Chief Operating Officer;
2. ED, Group Financial Services Division;
3. ED, Group Management Services Division; and
4. Other Board members and representatives as deemed necessary.

During the year ended 31 December 2013, the IRMC met twelve (12) times, details of which are given in pages 68 to 69 of the annual report.

Reports/Minutes

The approved minutes of all IRMC meetings shall be tabled to the Board for notation and kept by the Secretary as evidence that the IRMC has discharged its functions.

The Chairman of the IRMC shall report to the Board on significant issues after each IRMC meeting.

CORPORATE GOVERNANCE STATEMENT

Whistle-Blowing Committee

The WBC was established in 2011 to further strengthen the governance framework of the Group. The primary objective of the WBC is to assist the Board in reviewing, investigating and disposing complaints received against senior management employees of the Group with the rank of ED in Job Grades 23 and above and any member of the Board.

Composition

The WBC shall be appointed by the Board from amongst its Directors and shall comprise no fewer than three (3) members, all of whom must be NEDs, with a majority of them being Independent Directors.

The WBC shall comprise the following -

1. Tan Sri Hasmah binti Abdullah, Independent NED (Chairman);
2. Dato' Siow Kim Lun, Senior Independent NED;
3. Dato' Mohd. Nizam bin Zainordin, Non-Independent NED; and
4. Khalid bin Sufat, Independent NED.

No Alternate Director shall be appointed as a member of the WBC.

The Head of the UMW Integrity Unit is Secretary to the WBC.

Terms of Reference

The WBC's responsibilities include the following -

1. Receive, review and investigate complaints obtained through the whistle-blowing mechanism including disposal of complaints received against any member of the senior management employees of the Group in Job Grades 23 and above and any member of the Board;

2. Designate an Investigating Officer ("IO") to investigate any complaints received through the whistle-blowing mechanism and to supervise the IO;

3. Discuss the investigation reports prepared by the IO and to make appropriate recommendations to the Board for further action, where applicable; and

4. Carry out any other function defined by the Board.

CORPORATE GOVERNANCE STATEMENT

Authority

The WBC shall have the authority to -

1. Carry out its duties and responsibilities as guided by the Whistle-Blowing Policy and General Guidelines of the Group;

2. Seek, obtain and access any information it requires from any employee of the Group in order to perform its duties;

3. Obtain, at the Group's expense, outside legal professional advice on any matter within its TOR;

4. Obtain, at the Company's expense, external legal or other professional advice on any matter within its TOR; and

5. Call any employee to be questioned at a meeting of the WBC as and when required.

The WBC may, from time to time, submit to the Board its recommendations on matters which are within its purview, for the Board's consideration and approval.

Procedures for Dealing with Complaints

All complaints must be directed to any member of the Board or WBC and must be either in writing duly signed by the whistle-blower or verbally in person by the whistle-blower.

The procedures on disclosure of any wrongdoing by a whistle-blower are stipulated in the Whistle-Blowing Policy and General Guidelines of the Group.

Meetings, Quorum and Procedures

The Chairman of the WBC shall call for a meeting as and when necessary.

The quorum for the WBC shall be two (2) members.

Each member of the WBC is entitled to one (1) vote on all matters deliberated at the meeting. In the case of an equality of votes, the Chairman of the WBC shall be entitled to a second or casting vote.

There have been no meetings of the WBC in the year under review.

CORPORATE GOVERNANCE STATEMENT

Reports/Minutes

The IO shall prepare a report on the outcome of any investigation made in all cases, to each member of the WBC for deliberation and decision. After deliberation and decision by the WBC, the Secretary of the WBC will prepare a report to be circulated to all members of the Board for information or action of the Board as the case may be.

The approved minutes of all WBC meetings shall be kept by the Secretary of the WBC as evidence that the WBC has deliberated and disposed of each legitimate complaint made to the WBC.

The Chairman of the WBC shall report to the Board on the recommendations made by the WBC and the Board will, upon receiving the recommendation from the WBC, have the final decision on the matter raised.

Establishment of the UMW Integrity Unit and UMW Bumiputera Agenda Committee

In support of the National Integrity initiatives, UMW had, on 26 February 2014, established the UMW Integrity Unit ("UIU") to further enhance our CG and business ethics. The UIU is to assist the Board and management in the implementation of integrity activities and promote ethical conduct within the UMW Group via the development and implementation of the UMW Integrity Framework and Programme. The UIU reports functionally to the WBC and administratively to the PGCEO.

On 26 February 2014, UMW had also established the UMW Bumiputera Agenda Committee ("UBAC") for the purpose of Bumiputera Economic Empowerment and GLC Bumiputera Agenda ("BA") KPIs. The UBAC was established to look into the BA cohesively from the UMW Group's perspective and drive necessary initiatives to achieve these objectives. The UBAC also oversees the BA holistically, encompassing areas of procurement, human capital, dealerships/distributorships, ownership of non-financial assets, disposals/carve-outs, etc.

Board and Board Committee Meeting Attendance

The commitment and dedication of members of the Board in ensuring effective discharge of their duties and responsibilities are reflected by the higher number of Board and Board Committee meetings held during the financial year ended 31 December 2013. The Board is satisfied with the commitment given by the Directors in fulfilling their roles and responsibilities in the year under review.

The attendance of Directors at Board and Board Committee meetings held in the financial year ended 31 December 2013 is set out below -

		BOARD COMMITTEES			
PRESENT DIRECTORS	**BOARD**	**AC**	**NC**	**RC**	**IRMC**
Non-Independent NED					
Tan Sri Asmat bin Kamaludin	17/17				
Dr. Leong Chik Weng	17/17		10/10	10/10	12/12
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	17/17			9/10	
Dato' Mohd. Nizam bin Zainordin	17/17	8/9			12/12
Rohaya binti Mohammad Yusof	8/8*				
Independent NED					
Dato' Siow Kim Lun	17/17	9/9	10/10		11/12
Khalid bin Sufat	16/17	9/9	10/10	10/10	
Tan Sri Hasmah binti Abdullah	4/4*	2/2*			3/4*
Non-Independent ED					
Datuk Syed Hisham bin Syed Wazir	17/17				11/12

CORPORATE GOVERNANCE STATEMENT

PAST DIRECTORS	BOARD	BOARD COMMITTEES			
		AC	NC	RC	IRMC
Non-Independent NED					
Wan Kamaruzaman bin Wan Ahmad	4/6*				

Note -

1. *Dato' Siow Kim Lun assumed the position of Chairman of the NC on 11 October 2013 in place of Dr. Leong Chik Weng following the re-designation of Dr. Leong Chik Weng as Non-Independent NED on the Board.*
2. *Tan Sri Hasmah binti Abdullah was appointed as member of the AC and IRMC on 24 September 2013 and as member/Chairman of the WBC on 21 November 2013.*
3. *There were no WBC meetings held in 2013.*

* *Reflects the number of meetings held during the time the Director held office.*

BOARD ACCESS TO INFORMATION

Access to Management

The Board has direct access to the management. Thus, the Board has complete and unrestricted access to information pertaining to the Group's business and affairs necessary for the effective discharge of its responsibilities.

Management is responsible for providing the Board with timely, accurate and quality information and in a form and manner appropriate for the Board to discharge its duties effectively. The Directors may request for additional information or clarification from management, particularly in respect of complex and technical issues to be tabled to the Board.

Board meetings for each financial year are scheduled in advance before the end of each preceding financial year so as to enable the Directors to plan their respective schedules accordingly.

All Directors are provided with comprehensive Board papers containing management reports and proposal papers at least five (5) working days before Board meetings to enable them to review and consider the agenda items to be discussed. In addition, there is a schedule of matters reserved specifically for the Board's decision. Members of the Group's senior management and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the agenda. Where necessary, management briefs Board members individually before certain matters are discussed at Board meetings.

Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meetings. The Directors may request for further clarification or raise comments on the minutes prior to confirmation of the minutes as correct records of the Board's proceedings.

Access to External Experts

The Board has also approved a procedure for Directors to obtain independent professional advice, where necessary, for proper discharge of their duties and at the Group's expense. Heads of operations are required to make presentations on proposal papers and brief/update Board members on operational issues from time to time to enable Directors to discharge their duties more effectively.

CORPORATE GOVERNANCE STATEMENT

Access to Group Secretary

All Directors have individual and direct access to the advice and services of the Group Secretary in ensuring the effective functioning of the Board. Her seniority, experience and group-wide knowledge are instrumental in serving the Group's governance needs. The Group Secretary plays an advisory role to the Board in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and Directors' duties and responsibilities.

The Group Secretary also ensures that deliberations at meetings of the Board and Board Committees are properly captured, minuted and communicated to relevant management for necessary action.

The Group Secretary is adequately assisted by a team of qualified governance staff from the Group Secretarial Division to ensure implementation of CG best practices and thorough monitoring of good governance throughout the Group.

Appointments to the Board

The responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed rests with the Group Secretary. The Group Secretary ensures that all appointments are properly made, that all necessary information is obtained from the Directors, both for the Company's own records and for purposes of meeting statutory and regulatory requirements.

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the NC. In making these recommendations, the NC will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Directors bring to the Board.

All newly-appointed Directors will undergo a comprehensive induction programme with the objective of providing an overview of the Company's vision and mission, its philosophy, corporate culture and nature of business, corporate strategy, current issues and the long-term targets of the Group. Specific briefings on operations and plant visits, including overseas plant visits whenever necessary, are also conducted. A familiarisation programme on the Group's businesses and CG practices is arranged for new Directors upon their appointment to facilitate effective discharge of their duties.

In the year under review, Rohaya binti Mohammad Yusof and Tan Sri Hasmah binti Abdullah who were appointed on 1 July 2013 and 2 September 2013, respectively, attended such a programme.

Re-election/Re-appointment of Directors

Article 109 of the Articles of Association of the Company stipulates that Directors appointed to the Board for the first time are subject to mandatory retirement at the next AGM following their appointment. Article 123 of the Articles of Association further provides that at least one-third of the Directors shall be subject to retirement by rotation at each AGM.

In accordance with Paragraph 7.26(2) of the Bursa Securities MMLR and Article 125 of the Articles of Association of the Company, all Directors are to retire from office once at least in each three years.

In this regard, the NC has recommended the re-election of the following Directors, who are subject to retirement at the forthcoming AGM -

1. Rohaya binti Mohammad Yusof retiring under Article 109;
2. Tan Sri Hasmah binti Abdullah retiring under Article 109;
3. Dr. Leong Chik Weng retiring under Article 123; and
4. Dato' Mohd. Nizam bin Zainordin retiring under Article 123.

CORPORATE GOVERNANCE STATEMENT

The Board has adopted a retirement age policy for Directors, guided in general by the CA 1965 and the GLC Transformation Manual which stipulate that the age limit for Directors is seventy (70) years. Nevertheless, the Board may use its discretion to extend the services of a Director beyond the term of this policy. Accordingly, Tan Sri Asmat bin Kamaludin, who has attained the age of seventy (70) years as at the date of this annual report, will retire at the forthcoming AGM and being eligible, has offered himself for re-appointment.

The TOR of the NC provides for evaluation of Directors who are to retire by rotation or who had reached the age of seventy (70) years or who had served the maximum term of office set at nine (9) years for Independent Directors, and are seeking re-election/re-appointment at the AGM. The evaluation process is to ensure that due process is carried out by the NC and the Board before such re-election/re-appointment is put forth to shareholders for approval. The NC makes appropriate recommendations to the Board on such re-election/re-appointment.

Board Performance, Evaluation and Review

The Board has entrusted the NC with the responsibility to annually review the required mix of knowledge, skills, attributes and core competencies of its Directors. The Board has implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the effectiveness of each Director, including the Chairman.

All Directors are required to evaluate the performance and contribution of each member of the Board including the Chairman. The PGCEO is evaluated based on specific KPIs approved earlier by the Board. The findings are then summarised and presented to the NC. The Chairman of the NC will subsequently meet with the Chairman of the Board to discuss the findings and results of the evaluation, including recommending areas of continuous improvement, if necessary. The NC also evaluates the performance of the Board and the Board Committees as a whole. The Chairman of the NC discusses the results of the overall evaluation of the Board and the Board Committees with the Chairman of the Board. Thereafter, the overall results of the evaluation conducted and improvements recommended in respect of the Board as a whole, Board Committees and individual Directors are presented at the Board meeting. The report on the overall evaluation of the Board and Board Committees is given to Directors for their information.

Peer evaluation was introduced during the year under review. The NC conducted a formal assessment of the effectiveness of the Board and Board Committees for the year ended 31 December 2013.

Directors' Training

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities for Directors of public-listed companies. Rohaya binti Mohammad Yusof and Tan Sri Hasmah binti Abdullah attended the MAP on 4 to 5 September 2013 and 2 to 3 October 2013, respectively.

The Board is mindful of the need for Directors to attend continuous education programmes to keep them abreast of new developments pertaining to legislations, regulations, current commercial issues and changing commercial risks that may affect business operations and compliance matters. Appropriate training and education programmes are identified and arranged for Directors' participation from time to time to further enhance their skills and knowledge, and the Company allocates a dedicated training budget to support the continuous development of the Directors.

The Group Secretary facilitates in organising internal and external programmes, training sessions, briefings, workshops and seminars for Directors. Whenever required, Directors may request for training programmes on specific subjects to facilitate them in discharging their duties effectively.

The development and training programmes attended by the Directors, including their participation as distinguished speakers at local and international conventions in 2013 are as follows -

CORPORATE GOVERNANCE STATEMENT

NAME OF DIRECTOR	TRAINING/SEMINAR/CONFERENCE ATTENDED	DATE HELD	ORGANISER/ CO-ORDINATOR
Tan Sri Asmat bin Kamaludin	Malaysian Code on Corporate Governance 2012	27/03/2013	Panasonic Manufacturing Malaysia Berhad
	Nominating Committee Programme	10/10/2013	Bursa Securities
	4th Kuala Lumpur International Automotive Conference	12/11/2013 to 14/11/2013	Asean Strategy and Leadership Institute
Datuk Syed Hisham bin Syed Wazir	Risk Management Forum : Embracing Risks for Long-term Corporate Success - Boosting Your Risk Governance	04/06/2013	Permodalan Nasional Berhad ("PNB")
	HR Forum	02/07/2013	UMW
	Corporate Disclosure of Directors	05/09/2013	Bursa Securities
	Wealth Creation and Preservation - Turning Possibility to Reality	01/10/2013	PNB
Dr. Leong Chik Weng	CCM Group Directors and Senior Management Training 2013: Biosimilar, Never Ending Frontier in Bio-Business	30/08/2013	Chemical Company of Malaysia Berhad
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	Transformation of Security and Fundamental Rights Legislation - Rights and Responsibilities: Between Hope and Challenges - Transforming the Law on Freedom of Expression	14/01/2013 to 16/01/2013	AG's Chambers
	Islamic Law and Commerce	13/03/2013 to 19/03/2013	Faculty of Law, University of Sydney
	Diploma Course in International Commercial Arbitration	30/03/2013 to 05/04/2013	Kuala Lumpur Regional Arbitration Centre
	Asian Institute of Finance ("AIF") International Symposium 2013	28/08/2013 to 29/08/2013	AIF
	Islamic Financial Services Conference 2013 - Challenges & Opportunities for Islamic Finance Service Providers in Singapore and the Potential for Collaboration with Malaysia	01/10/2013	Singapore Business Federation
	4th Global Entrepreneurship Summit 2013 - Innovative Financing for Global Entrepreneurs	11/10/2013	Bank Negara Malaysia
	The World Capital Markets Symposium 2013	22/10/2013 to 23/10/2013	Securities Commission ("SC")
	Wealth Management Forum 2013 - Indonesia	24/10/2013	Hubbis & Labuan IBFC

CORPORATE GOVERNANCE STATEMENT

NAME OF DIRECTOR	TRAINING/SEMINAR/CONFERENCE ATTENDED	DATE HELD	ORGANISER/ CO-ORDINATOR
Dato' Siow Kim Lun	Promise of Islamic Finance	05/02/2013	PNB
	Board Leadership and Integrity	21/02/2013	PNB
	Corporate Governance and Short-Termism	27/03/2013	PNB
	Focused Group Discussion on Revised Corporate Governance Guide	14/06/2013	Bursa Securities
	Dialogue on the Financial Services Act and Islamic Financial Services Act	02/09/2013	Financial Insitutions' Directors Education
	The World Capital Markets Symposium 2013	13/10/2013 & 24/10/2013	SC
	Round-table on the latest Corporate Governance Guide (2nd edition)	12/12/2013	Audit Committee Institute of Malaysia
Dato' Mohd. Nizam bin Zainordin	Board Leadership and Integrity	21/02/2013	PNB
	5th Annual Corporate Governance Summit: Embedding the Culture of Voluntary Governance in Organisations	19/03/2013 to 20/03/2013	Asian World Summit Sdn. Bhd.
	Corporate Governance and Short-Termism	27/03/2013	PNB
	Risk Management Forum - Embracing Risk for Long-Term Corporate Success - Boosting Your Risk Governance	04/06/2013	PNB
	Majlis Pemerkasaan Ekonomi Bumiputera	14/09/2013	PNB
	Wealth Creation and Preservation - Turning Possibility to Reality	01/10/2013	PNB
	Up Close with Suze Orman	01/10/2013	PNB
	Post-Acquisition Matter of PNB's UK Buildings	24/10/2013	PNB
	Annual CIO Malaysia Summit	12/11/2013	PNB
	Malaysian Institute of Accountants ("MIA") International Accountants Conference 2013 - Managing Value, Accelerating Growth	26/11/2013 to 27/11/2013	MIA

CORPORATE GOVERNANCE STATEMENT

NAME OF DIRECTOR	TRAINING/SEMINAR/CONFERENCE ATTENDED	DATE HELD	ORGANISER/ CO-ORDINATOR
Khalid bin Sufat	The Dabbawalas of Mumbai : Learn the Secrets from the Masters of Supply Chain Management	02/04/2013	Taylor's University
	Risk Management Forum : Embracing Risks for Long-term Corporate Success - Boosting Your Risk Governance	04/06/2013	PNB
	Tax Conference Malaysia 2013	11/06/2013 to 12/06/2013	MIA & Malaysian Association of Tax Accountants
	Islamic Finance Conference 2013 - Towards Global Resilience and Inclusiveness	18/06/2013	MIA
	MIA International Accountants Conference 2013 - Managing Value, Accelerating Growth	26/11/2013 to 27/11/2013	MIA
Rohaya binti Mohammad Yusof	Persidangan Pengurusan KWSP 2013	17/03/2013	Kumpulan Wang Simpanan Pekerja ("KWSP")
	Fixed Income Training	17/06/2013	KWSP
	Leading Leaders Programme	24/06/2013	KWSP
	Risk Management & Compliance	19/08/2013	KWSP
	Special Session on the Asean CG Scorecard 2013	26/08/2013	Minority Shareholder Watchdog Group
	Mandatory Accreditation Programme for Directors of Public-Listed Companies	04/09/2013 to 05/09/2013	Busatra Sdn. Bhd. ("Busatra")
	Talent Pool (Senior Leadership Programme) Leading Leaders Module	06/10/2013 to 07/10/2013	KWSP
	EPF Investment Seminar 2013	26/10/2013	KWSP
	Investor Services Forum 2013	14/11/2013	JP Morgan
	Forum Pengurusan Risiko Operasi	29/11/2013	KWSP
	ICLIF Leadership and Government Centre	3/12/2013 to 4/12/2013	Bank Negara Malaysia
Tan Sri Hasmah binti Abdullah	Corporate Directors Advanced Programme - Human Capital	18/09/2013 to 19/09/2013	Malaysian Directors Academy
	Mandatory Accreditation Programme for Directors of Public-Listed Companies	02/10/2013 to 03/10/2013	Bursatra

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' REMUNERATION

Level and Make-up of Remuneration

In line with the Code, the Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group successfully, taking into consideration factors including functions, workload and responsibilities and liabilities involved.

The RC is responsible for reviewing and recommending to the Board, EDs' remuneration in line with the responsibilities and contributions made by them for the year. The RC may appoint external advisers or consultants to advise on specific areas where necessary. The Board as a whole determines the remuneration of NEDs.

The remuneration of EDs includes salary and emoluments, bonus and benefits-in-kind. The level of remuneration for EDs is benchmarked against compensation levels for similar positions among other Malaysian public-listed companies within the same industry.

In the case of NEDs, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them. Currently, NEDs are paid Directors' fees and attendance allowance for each Board/Committee meeting they attend. In addition, NEDs are entitled to certain benefits-in-kind such as company car, medical coverage worldwide, personal accident insurance coverage, mobile phone and bill subsidy. The Chairman of the Board, who is Non-Executive, is also entitled to a company car, leave passage, mobile phone and bill subsidy, and club membership.

The Company is also cognisant of the compensation philosophy advocated by the Putrajaya Committee on GLC High Performance (Guideline 2.3.1), which suggests that GLC Boards should regularly review the compensation of their Chairman and Directors and align them to the 50th percentile of an appropriate peer group.

All Directors, executive and non-executive, abstain from deliberations and voting on decisions in respect of their individual remuneration. A formal independent review of Directors' remuneration is undertaken once every two (2) years as provided in the Board Charter.

The Directors' aggregate remuneration and the remuneration band for the financial year ended 31 December 2013, distinguishing between ED and NED, is as follows -

CATEGORY OF DIRECTORS/DESCRIPTIONS	RM'000
Executive Director	
• Salaries and other emoluments	1,933
• Defined contribution plan	275
• Benefits-in-kind	110
Total	**2,318**
Non-Executive Directors	
• Fees	908
• Other emoluments	353
• Benefits-in-kind	215
Total	**1,476**

CORPORATE GOVERNANCE STATEMENT

RANGE OF REMUNERATION	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTORS
Up to RM50,000		1
RM50,001 - RM100,000		2
RM150,001 - RM200,000		2
RM200,001 - RM250,000		1
RM250,001 - RM300,000		2
RM550,001 - RM600,000		1
RM2,300,001 - RM2,350,000	1	

The RC also reviews and recommends to the Board the remuneration of senior management employees of the Group based on individual contribution, performance and responsibilities.

Indemnification of Directors and Officers

Directors and Officers are indemnified under a Directors' and Officers' Liability insurance, up to a limit of RM50 million for any one claim in aggregate, against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company. However, the insurance does not provide coverage where there is negligence, default, breach of duty or breach of trust proven against the Directors or Officers.

STRENGTHENING THE RELATIONSHIP BETWEEN THE GROUP AND STAKEHOLDERS

Corporate Disclosure Policy and Procedures

The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group's operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community. This is achieved through a comprehensive annual report, accurate and timely disclosures and announcements to Bursa Securities, distribution of circulars and press releases and also conducting dialogues and briefings with/for analysts, fund managers, potential investors, locally and abroad, and shareholders from time to time. The Company has participated in various road shows to update institutional investors based in Malaysia and abroad in the year under review.

All communications with the media/public and disclosures made to Bursa Securities are in accordance with the UMW Corporate Disclosure Policy and Procedures and the disclosure requirements of the Bursa Securities MMLR. Confidential information is restricted to top management only. Selected members of top management are responsible for making disclosures and responding to market rumours and queries.

The Group Secretarial Division sends constant reminders relating to restrictions on the trading of the Company's securities to Directors and Principal Officers. The Investor & Media Relations Department coordinates the disclosure of information to analysts, institutional investors, the media and the investing public. The department reports to the ED, Group Management Services Division.

CORPORATE GOVERNANCE STATEMENT

Contacts for Investor Relations Matters

NO.	NAME	DESIGNATION	CONTACT DETAILS
1.	Datuk Syed Hisham bin Syed Wazir	PGCEO	(603) 5163 5006 syedhisham@umw.com.my
2.	Dr. Wafi Nazrin bin Abdul Hamid	ED, Group Management Services Division	(603) 5163 5054 wafi@umw.com.my
3.	S. Vikneshwaran a/l Sathasivan	Head, Investor & Media Relations	(603) 5163 5044 vikneshwaran.s@umw.com.my

Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.umw.com.my provides easy access to corporate information pertaining to the Group and its activities. Quarterly Investor Relations ("IR") updates and information on financial results and material events are uploaded on the UMW website immediately after announcements on the same are made to Bursa Securities. The IR Updates provide detailed analysis of the Group's quarterly operations, variances and general prospects.

In addition to announcements on quarterly financial reports, the Company communicates with its shareholders and investors through its annual report which contains comprehensive information about the Group. The contents of the annual report are continuously enhanced to better reflect transparency and accountability. The Company disseminates its annual report to its shareholders in CD-ROM media but shareholders may also request for a hard copy of the annual report if they wish to. The annual report is also available on the UMW website.

Strategies to Promote Sustainability

UMW promotes good CG in the application of sustainability practices within the Group. Sustainability strategies are inculcated in the UMW Group's Corporate Social Responsibility ("CSR") Programmes, taking into consideration various short/medium-to-long-term sustainable programmes to protect the environment, economic and social interests. Details of UMW's CSR Reports and Sustainable Programmes are published on the Company's website.

ANNUAL GENERAL MEETINGS

The Company regards its general meetings, particularly its AGMs, as the principal forum for direct interaction and dialogue among shareholders, the Board and management. The AGMs provide an important avenue for effective communication with shareholders and for receiving constructive feedback particularly on matters concerning shareholders' interests. A comprehensive report on the Group's operations and financial performance is made at every AGM.

In accordance with the Bursa Securities MMLR and the Articles of Association of the Company, the notice of AGM together with the annual report are sent out to shareholders at least twenty-one (21) days before the date of the meeting. Each item of special business included in the notice of AGM is accompanied by a full explanation of the effects of the proposed resolution to facilitate full understanding and evaluation of the issues involved.

The proceedings of the AGM will commence with a presentation by the PGCEO on the Company's operations and financial performance for the preceding financial year, followed by the Company's responses to questions raised by shareholders in advance of the AGM. At the conclusion of the PGCEO's presentation, the Chairman will highlight administrative matters including the procedures for demand for a poll before proceeding with the business of the AGM.

CORPORATE GOVERNANCE STATEMENT

During the proceedings, shareholders are at liberty to raise questions pertaining to the business of the meeting and the Board and management are at hand to clarify issues raised. Any significant questions that cannot be readily answered at the meeting will be addressed subsequently in writing by management. Shareholders were also invited to submit any additional questions they might have had via an enquiry box placed at the venue of the AGM so that these could be responded to in writing after the meeting.

The external auditors and advisers of corporate exercises, where applicable, attend general meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter.

A press conference is held after each AGM where the Chairman and PGCEO as well as relevant corporate EDs advise the media of the resolutions passed by shareholders, brief the media on the operations, performance and financial results of the Group for the year under review and clarify issues and answer questions posed by the media to keep shareholders and the public updated on the progress of the Group's core businesses.

Notice of general meetings, minutes of previous general meetings together with slide presentations made at such meetings are also made available on the Company's website for the benefit of shareholders who are not able to attend meetings.

All seven (7) Directors were present in person to engage directly with shareholders at the 31st AGM held on 27 June 2013.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to Bursa Securities and all disclosures to shareholders, the Board is fully committed to providing a clear, balanced and comprehensible assessment of the Group's financial performance and its future prospects. The AC assists the Board in overseeing the financial reporting process and ensuring the quality of the financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The AC also assists the Board in reviewing the appropriateness of accounting policies applied by the Group as well as the changes in these policies.

The Board is fully accountable for ensuring that the financial statements of each financial year are prepared in accordance with applicable approved Malaysian Financial Reporting Standards, the provisions of the CA 1965 and the Bursa Securities MMLR. It is also the responsibility of the Board to ensure that the financial statements represent a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements the Directors have -

1. Adopted appropriate accounting policies and applied them consistently;

2. Made judgments and estimates that are reasonable and prudent;

3. Ensured that all applicable financial accounting standards have been followed; and

4. Prepared financial statements on a going concern basis, having made due enquiries that the Group and the Company have adequate resources to continue operations in the foreseeable future.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE STATEMENT

Key Performance Indicators

The Company's actual performance for the year ended 31 December 2013, surpassed its target headline KPIs, as stated below -

KPI	2013 TARGET HEADLINE (%)	2013 ACHIEVEMENT (%)
Annual return on shareholders' funds	10	11.7
Annual dividend payout ratio of net profit attributable to shareholders	50	78.7

Related Party Transactions

The Group has established appropriate procedures to ensure that the Company complies with the Bursa Securities MMLR relating to related party transactions. All related party transactions are forwarded to the GIAD on a monthly basis for review. A Director who has interest in a transaction abstains from all deliberations and voting on the matter either at the Board level or at the general meeting convened for the purpose of considering the matter.

Shareholders' mandate in respect of existing and new recurrent related party transactions, if any, is obtained at AGMs of the Company on a yearly basis. The recurrent related party transactions entered into by the Group during the financial year under review are set out on pages 105 to 107 of this annual report.

Internal Controls

The Group continues to maintain and review its internal control procedures to ensure a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The internal control system is designed to meet the Group's particular needs and to manage the risks that may impede the achievement of the Group's business objectives. The system, by its nature, cannot eliminate risks but can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors acknowledge their responsibility for the Group's system of internal controls covering financial, operational and compliance controls as well as risk management, and for reviewing the adequacy and integrity of the system. An affirmation ceremony to affirm management's responsibility and commitment towards maintaining strong internal controls of the Group's business operations was held in the year under review.

Management Control Policy

As control is a function of the management and an integral part of the overall process of managing operations, the Group introduced a Management Control Policy on 2 April 2008 whereby management was tasked with the responsibility of establishing a network of processes with the objective of controlling the operations of companies within the Group, in a manner which provides the Board with reasonable assurance that the following are adhered to -

1. Data and information published either for internal or external consumption is accurate, reliable and timely;

2. The actions of Directors, officers and employees are in compliance with established policies, standards, plans and procedures, and all relevant laws and regulations;

3. The organisation's resources (including its people, systems, data/information bases and customer goodwill) are adequately protected;

CORPORATE GOVERNANCE STATEMENT

4. Resources are acquired economically and employed profitably and quality business processes and continuous improvement are emphasised; and

5. The organisation's plans, programmes, goals and objectives are achieved.

Relationship with Auditors

The Group maintains an active and transparent relationship with its auditors, both external and internal, through the AC.

The AC undertakes an assessment of the suitability and independence of the external auditors and having satisfied itself with their performance and effectiveness, the AC will recommend their re-appointment to the Board, upon which shareholders' approval will be sought at the AGM. In this regard, the AC had in April 2013, assessed the independence of Messrs. Ernst & Young ("EY") as external auditors of the Company as well as reviewed the level of other services to be rendered by EY to the Company for financial year 2013. The AC was satisfied with EY's technical competency and audit independence.

Services provided by the external auditors include statutory audit and other services. The terms of engagement for services of external auditors are reviewed by the AC and approved by the Board.

The breakdown of annual audit and other fees paid to the external auditors for the financial year ended 31 December 2013 is as follows -

	COMPANY (RM'000)	GROUP (RM'000)
Fees paid to principal auditors		
• Statutory Audit	172	2,538
• Other Services	-	3,608*
Fees paid to other auditors		
• Statutory Audit	-	357
• Other Services	-	-
Total	172	6,503

*Note: *Tax fee and consultancy/advisory services*

The Group's external auditors are invited to attend AC meetings when deemed necessary. The AC meets the external auditors at least twice a year without the presence of management to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. Apart from this, the external auditors are also invited to attend the AGM of the Company.

The role of the AC in relation to both external and internal auditors is set out on pages 24 to 27 of this annual report.

Internal Audit Function

The internal audit function is performed in-house by the GIAD. The division audits internal control practices and reports significant findings to the AC together with recommended corrective actions. Management is responsible for ensuring that the corrective actions are undertaken within an appropriate time frame. Details of the Company's internal control system and framework are set out in the Statement on Risk Management and Internal Control on pages 82 to 86 of this annual report.

CORPORATE GOVERNANCE STATEMENT

RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risks

UMW has adopted a risk management framework in line with the Principles and Guidelines of ISO 31000: Risk Management. The framework incorporates a well-structured systematic process to identify, analyse and manage risks to an acceptable level for the achievement of UMW's strategic objectives. There is a clear categorisation used by individual operating companies and corporate divisions for risk appetite and individual risks are measured against set tolerance levels.

The IRMC monitors the consistent enforcement of the ERM policy. It also reviews and endorses the risk parameters, risk appetite, risk profiles as well as risk action plans.

UMW Group Policies & Guidelines

The UMW Group Policies & Guidelines handbook was published on 24 September 2011 to formalise the operating principles that represent the distinctive culture of UMW. As a multi-national group of companies, UMW is united by its common aspiration to become leaders in the industries that the Group competes in by going *Beyond Boundaries®* to accomplish it.

These policies and guidelines serve to describe UMW's way of doing business. UMW is guided by the need to continually create a unique competitive advantage to exceed its stakeholders' expectations by ensuring that there is strong organisational alignment towards achieving its goals. These policies and guidelines serve to facilitate alignment between the Group and operating units as well as across all business divisions. All subsidiaries within the Group adopt the policies and guidelines that are outlined in the book. These policies and guidelines may be reviewed and updated from time to time to reflect the changing external demands and internal conditions that are necessary to support the overall business objectives.

Gender Diversity Policy

UMW does not practice gender discrimination, neither at the management level nor at the Board level. There is already women representation on the UMW Board as well as on management and the Boards of subsidiary companies. UMW will continue to identify suitable candidates for appointment to the Board as and when vacancies arise. Such candidates will be considered based on merit and competence and what the chosen candidate can bring to further strengthen the Board.

UMW Code of Business Conduct and Ethics

The UMW Code of Business Conduct and Ethics incorporates the Group's stance with regard to integrity in business conduct. One of the objectives of the UMW Code of Business Conduct and Ethics is to clearly state how UMW employees should conduct themselves in managing UMW business affairs which include among others, confidentiality of information and dealings in securities. It also details and warns against undesired conduct such as conflict of interest, offering or receiving bribes, dishonest conduct, anti-competitive practices and sexual harassment. The said employees are to be driven by UMW values, i.e., "Honour" where they are to continuously display integrity and trust when managing stakeholders, customers, suppliers, vendors and contractors.

Compliance Statement

The Board is satisfied that the Group's CG framework complies with the principles and recommendations of the Code and the Bursa Securities MMLR. The Board endeavours to continuously raise the standards of governance in the Group and strives to surpass international best practices and uphold its pledge, commitment and effort to enhance and promote the best practices of CG throughout the Group in its effort to achieve the highest standards of transparency, accountability and above all, integrity. The Board ensures that there is no compromise in the Group's focus on enhancing shareholder value, increasing investor confidence, establishing customer trust and building a competitive organisation that upholds UMW's core values of Honourable, Vibrant, Unshakeable and Pioneering.

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 7 May 2014.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

1. INTRODUCTION

Pursuant to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the requirements of the Malaysian Code on Corporate Governance 2012, the Board of Directors ("the Board") is committed to maintaining a sound system of risk management and internal control in the Group to manage risks and to report on internal controls and regulatory compliance so as to safeguard shareholders' investment and the Group's assets.

Set out below is the Board's Statement on Risk Management and Internal Control ("the Statement") for the financial year ended 31 December 2013 which was prepared in accordance with the Guidelines for Directors of Listed Issuers ("the Guidelines") issued by Bursa Securities on the issuance of a statement about the state of risk management and internal control of the Group pursuant to Paragraph 15.26(b) of the MMLR. This Statement outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associate companies.

2. RESPONSIBILITY

The Board recognises the importance of establishing and maintaining a sound system of risk management and internal control in the Group and as such, affirmed their commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also operational, organisational and compliance controls, and for reviewing the adequacy and integrity of these systems.

Whilst the Board is ultimately responsible for these systems, it has delegated the implementation of these control systems to the management who regularly report on risks identified and action steps taken to mitigate and/or minimise the risks. The oversight of this critical area is carried out by the Audit Committee ("AC") and the Investment & Risk Management Committee ("IRMC") comprising the Board members.

The Group's risk management and internal control systems are designed to meet the Group's particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group's business objectives, provide information for accurate reporting and ensure compliances with regulatory and statutory requirements. The process for the identification, evaluation, monitoring and managing significant risks that may materially affect the Group's business objectives has been in place throughout the year under review and regularly appraised by the Board.

However, in view of the limitations inherent in any system, it should be appreciated that these systems are designed to manage and mitigate, rather than eliminate, the risk of failure to achieve the Group's business and corporate objectives. These systems can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Group's concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

3. RISK MANAGEMENT FRAMEWORK

The Group has established an Enterprise Risk Management ("ERM") framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this framework aims to provide an integrated and organised approach entity-wide. It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO 31000: Risk Management, mainly promoting the risk ownership and continuous monitoring of key risks identified.

UMW has implemented and enhanced its ERM framework and processes which have been adopted for implementation throughout the Group. The enhanced ERM framework has incorporated a well-structured systematic process to identify, analyse and manage risks to an acceptable level for the achievement of UMW's strategic objectives.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Briefings on the ERM were conducted for senior management as part of the Group's efforts to instil a proactive risk management culture and implement a proper ERM framework in the Group.

The context within which the Group manages the risks and key focus of accountability is as follows -

Strategic risks are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. Accountability for managing strategic risks therefore rests with the Board and President & Group CEO ("PGCEO"). The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.

Operational risks are inherent in the on-going activities within the different Strategic Business Units ("SBU") of the Group. Typically, some of the risks cover foreign exchange, credit, competency, technology, etc. senior management needs on-going assurance that operational risks are identified and managed. Accountability for managing operational risks rests specifically with the Heads of SBUs.

In this context, ERM aligns UMW's strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks that the Group faces as it creates value.

The Management Committee ("MC") of UMW has assumed the role of the Risk Management Committee ("RMC"). The principal responsibilities of the RMC include the following -

- communicate requirements of the ERM Policy and ensure continuous enhancement of ERM;
- formulate and implement ERM mechanism to accomplish requirements of the ERM Policy;
- articulate and challenge risk ratings, control effectiveness, risk treatment options and risk action plans identified by Risk Owners; and
- ensure that the ERM reports prepared are submitted to the Board in a timely manner, and flash reports are submitted in the event of any risk(s) that require urgent attention.

The RMC is assisted by the Group Risk Management Division ("GRMD") in discharging its risk management responsibilities. GRMD facilitates the risk assessment process by providing independent enquiry on risk identification and risk ratings determination by the respective process owners (line managers) based on the risk appetite set by the Board. GRMD also provides guidance and support to the SBUs and Divisions in the development of risk action plans and key risk indicators to mitigate and monitor key risks of the Group. Heads of SBUs and Divisions are responsible for identifying, analysing and evaluating risks, as well as developing, implementing and monitoring risk action plans and reporting all risks to the RMC.

Flash reports on significant change in risks which have material or significant impact on the respective SBUs or Divisions are escalated to the PGCEO. For purposes of tracking and monitoring as well as capturing all risk information across the Group, a risk depository system has been implemented.

As part of the Group's efforts to remain resilient in times of crisis, GRMD was tasked to oversee business continuity management activities within the Group.

During the year, the status of key risk action plans of the Group and the respective SBUs were presented to the IRMC on a quarterly basis for its review. The IRMC assumes the oversight and strategic role for ERM.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

4. INTERNAL AUDIT FUNCTION

The Group has an adequately resourced Group Internal Audit Division ("GIAD") which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal controls and governance processes. GIAD is independent of the Group's business operations and has a group-wide mandate set out in its Audit Charter approved by the AC of the Board. GIAD carries out its functions in accordance with the annual audit plan approved by the AC each year covering the scope of the audit work and resources needed to perform such work. The AC regularly evaluates and monitors the performance of the internal audit function to assess its effectiveness in discharging its duties and responsibilities. The Head of GIAD attends all AC meetings.

GIAD adopts a risk-based approach in developing its audit plan based on the Group's risks profile and conducts regular audits on all subsidiaries and principal areas of operations within the Group. It ensures that the Group's system of internal control remains effective and efficient, is adequately monitored and enhanced when the need arises. The audit also covers the Group's major information systems and applications.

Apart from that, GIAD also monitors the implementation of action plans recommended to improve on areas where control deficiencies were identified during the year. On quarterly basis, GIAD will submit its reports on major findings and significant control issues observed during the audit reviews, together with management's response and proposed action plans, to the AC for its review and where needed, to recommend appropriate actions to strengthen controls.

The GIAD is a corporate member of the Institute of Internal Auditors Malaysia ("IIAM") and subscribed to the standards issued by the IIAM.

5. INTERNAL CONTROL FRAMEWORK

The Board confirms that there is an on-going process for identifying, evaluating, monitoring and managing the significant risks of the Group. Such process is applied consistently throughout the Group and is constantly reviewed by the Board with the assistance of GIAD. The key elements of the Group's internal control structure and environment are described below -

- **Board Committees**

  The Board is the pillar of the Group's risk management and internal control practices. The Board is committed in maintaining a sound system of internal control and continues to uphold and implement a strong culture and environment for the proper conduct of the Group's business operations. The Board, in discharging its duties, has established several Committees namely the AC, the Nomination Committee, the Remuneration Committee, IRMC and the Whistle-Blowing Committee. The Board Committees operate within clearly-defined terms of reference, procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure that they are relevant and up-to-date.

  The Board meets twelve (12) times a year on a scheduled basis with additional meetings convened as Special Board meetings as and when situations require urgent Board deliberation and decisions.

  The Board Committees (with the exception of the AC and WBC) meet six (6) times a year on a scheduled basis although additional meetings may be called as and when necessary by the Chairman of the Committees.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- **Organisation Structure and Reporting Lines**

  The Group has a well-defined organisation structure that is aligned to business requirements with clearly defined delegation of responsibilities to the Board and its Committees and to management that promotes accountability for appropriate risk management and control procedures. Apart from the Board Committees, the Board is supported operationally by the MC which consists of senior members of the organisation including the PGCEO.

  The MC convenes regularly to discuss its strategic business agenda thus channeling appropriate inputs to the Board for its oversight of the Group's operations and maintenance of effective control over the entire operations. The organisation structure and delegation of responsibilities are communicated throughout the Group which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

- **Comprehensive Budgeting and Forecasting System**

  The Group performs a comprehensive annual budgeting and forecasting exercise including the development of business strategies and key performance indicators which is deliberated and approved by the Board each year. During the business planning session, each operating unit performs a critical self-assessment which involves analysis of strengths, weaknesses, opportunities, problems and threats together with action plans to address issues identified.

  Budgets prepared by operating units are regularly updated and explanations on variances are incorporated in management reports which are prepared and reported on a quarterly basis to the Board. These management reports analyse and explain variances against plan and report on the achievement of the key performance indicators after taking into account the changes in market conditions and significant business risks. The Group employs the reward and recognition framework which is based on the achievement of the key performance indicators that measures the goals and targets for each individual operating unit in alignment with the Group's business objectives and strategies.

- **Policies and Procedures**

  The Board is committed to maintaining a strong control structure and environment for the proper conduct of the Group's business operations and has put in place the following -

  - Written Policies and Procedures

    Clearly-defined and documented internal policies and guidelines have been established through the relevant charters, terms of reference, organisation structures and appropriate authority limits. The Group's policies and guidelines as contained in the Group Policies & Guidelines Manual have been communicated throughout the Group for implementation and compliance. These policies and guidelines are approved by the Board and regularly updated to reflect changing business requirements.

  - Limits of Authority and Responsibility

    Clearly-defined and documented lines and limits of authority, responsibilities and accountability have been established by the Group in the form of Financial Limits of Authority Guidelines ("FLAG").

    The FLAG outlines the authority of the Board and its Committee and that of management for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties. The FLAG are also regularly updated to reflect changing risks or to address operational deficiencies.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

- **Monitoring, Reporting and Reviewing**

  The effectiveness of the Group's systems of risk management and internal controls are monitored through monthly management review of financial and operating results, business processes, the state of internal controls and business risk profile by the respective Heads of SBUs and reported to the MC. In addition to the monthly reporting, the PGCEO performed mid-term business review on all operating units and initiate corrective measures where needed. Apart from that, regular internal visits are also made to the operating units by senior management to monitor compliance with policies and to assess performance. The Board is updated on the business performance on quarterly basis.

  On top of that, these reviews are supplemented by a comprehensive review undertaken by GIAD on controls implemented at each individual business units and operations. Reports on the reviews carried out by GIAD are submitted on a regular basis to management and the AC. These reports assess the impact of control issues and recommend appropriate actions to be taken to strengthen controls. The PGCEO and the Executive Director of Group Financial Services report to the AC on the status of management's action plans to address issues highlighted by the GIAD on a quarterly basis.

  For associated companies and joint ventures, the Group's interests are served through representation on the Boards of the respective associated companies and joint ventures, receipt and review of respective management accounts, and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group's investments based on the performance of the associated companies and joint ventures.

  The monitoring, reviewing and reporting arrangements in place give reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations. The Board believes that the system of internal controls is adequate and effective in achieving the Group's business objectives.

6. ASSURANCE TO THE BOARD

In line with the Guidelines, the Board has received written assurance from the PGCEO and the Executive Director of Group Financial Services stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, for the financial year ended 31 December 2013 up to the date of this Statement.

The Board is of the view that there is a continuous process in identifying, evaluating, monitoring and managing the significant risks faced by the Group and that during the year under review there were no significant weaknesses in the risk management and internal control systems of the Group which had resulted in material losses, contingencies or uncertainties requiring disclosure in the annual report. The Board is satisfied that the systems of risk management and internal controls in the Group are sound and sufficient to safeguard shareholders' investments and the Group's assets for the year under review and up to the date of the annual report.

The Board remains committed in ensuring that appropriate initiatives and active measures are taken to improve and enhance the Group's risk management and internal control systems so that shareholders' investment and the Group's assets are consistently safeguarded.

7. REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the MMLR of Bursa Securities, this Statement has been reviewed by the external auditors, Messrs. Ernst & Young in accordance with the guidelines issued by the Malaysian Institute of Accountants set out in ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. Messrs. Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's systems of risk management and internal control.

This Statement is made in accordance with the resolution of the Board dated 24 April 2014.

CORPORATE SOCIAL RESPONSIBILITY

As an international conglomerate with strong Malaysian roots, UMW remains committed to enhancing the Nation's social and economic development, and boosting its competitiveness in the global arena. Education, Environment and Community Development are the three main pillars upon which UMW builds its Corporate Social Responsibility ("CSR") initiatives.

COMMUNITY CHAMPIONS

A total of 17,000 community service hours have been clocked in by UMW's team of employee-volunteers, the UMW Community Champions. These hours reflect community service projects carried out from June 2009 to December 2013.

CORPORATE SOCIAL RESPONSIBILITY

COMMUNITY DEVELOPMENT

UMW's CSR partnership with MERCY Malaysia continued for the fifth consecutive year in 2013. Along with manpower support from its employees, UMW has provided MERCY Malaysia with more than RM2.5 million in funding to conduct mobile clinics, alcohol misuse intervention groups, fire-risk reduction activities, as well as disaster relief efforts for remote or vulnerable communities in Malaysia. UMW is also one of the first corporations to establish a Payroll Giving Scheme, in benefit of MERCY Malaysia. The scheme, which took effect in 2012, provides employees with the opportunity to contribute to MERCY Malaysia on a regular, monthly basis.

Other community development programmes carried out by UMW in 2013 include -

- Chinese New Year Celebrations with the residents of Persatuan Kebajikan Ci Hang Chempaka, an old folks home at Kampung Melayu Subang on 23 February 2013.
- A visit to the paediatric ward of Hospital Tuanku Fauziah in Kangar, Perlis, in conjunction with Minggu Saham Amanah Malaysia on 4 April 2013.
- 1Malaysia Programme with Yayasan Chow Kit on 23 March 2013.
- Motivational Workshop for Pertubuhan Kebangsaan Orang Kerdil Malaysia on 27 April 2013.
- Buka Puasa & Raya Shopping programme with Rumah Amal Kasih Bestari on 22 July 2013.
- Majlis Sambutan Hari Raya Aidilfitri with the disabled from the Society of the Orthopedically Handicapped, Malaysia on 24 August 2013.
- Visit to Pusat Jagaan Nur Hassanah in conjunction with "Hari Warga Emas Kebangsaan" on 12 October 2013.
- Safari Deaf Awareness Day programme at Zoo Negara with students from Sekolah Menengah Pendidikan Khas Vokasional Shah Alam on 19 October 2013.
- Deepavali shopping with children from Rumah Kebajikan Karunai Ilam on 26 October 2013.
- Balik Kampung programme with children from Rumah Amal Al-Firdaus and Rumah Shalom on 23 and 24 November 2013.
- Christmas shopping with children from Shepherd's Centre Foundation on 21 December 2013.

UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor") held the 22nd Toyota Classics, featuring the North Czech Philharmonic Teplice at Dewan Filharmonik PETRONAS on 12 November 2013. Proceeds from the concert's ticket sales and corporate donations were channelled to three organisations - The Society for the Advancement of the Blind, Malaysian Federation of the Deaf and the Malaysian Liver Foundation.

CORPORATE SOCIAL RESPONSIBILITY

EDUCATION

UMW continued its participation in PINTAR - a school adoption programme that aims to foster excellence among youths in under-served communities. In 2012, UMW took seven national and vernacular primary schools under its wing. The Group provided funding for motivational camps, tuition classes as well as additional educational materials for these schools. To date, nine (9) schools have graduated from the UMW-PINTAR programme.

The UMW-PMR Clinic, first launched in September 2012, was held for the second time in 2013. The 2013 clinic is a collaborative effort between UMW, Petaling Perdana Education District and Utusan Malaysia. Students who attended the five (5) day clinic were given a motivational talk and also intensive coaching on four (4) core PMR examination subjects - English, Science, Mathematics and Bahasa Malaysia.

During the year under review, UMW also sponsored the JustSpeak English Communication Camp for Maktab Mahmud students in Alor Star, Kedah. The camp was held on 21 and 22 June 2013.

ENVIRONMENT

The Toyota Eco Youth (TEY) programme, organised by UMW Toyota Motor, completed its 13th successful year in 2013. The programme has since reached close to 200 schools nation-wide, involving approximately 2,000 students and teachers. It has also earned a reputation for being a sustainable eco-programme with several schools still conducting the projects that were initiated under TEY many years ago. This includes SMK Sri Muda, Penang, and SMK (Agama) Maahad Hamidiah, Kajang, Selangor, which participated in 2007, 2010 and 2011.

On 16 November 2013, 35 UMW Community Champions participated in a River Cleaning and Qua-Qua programme at Serendah, Selangor. This programme marked the third of such collaboration between UMW and Lembaga Urus Air Selangor.

UMW was the main sponsor of the Shah Alam Trees For Life 2013 programme, organised by Majlis Bandaraya Shah Alam at Laman Kemerdekaan on 14 December 2013. A total of 44 UMW Community Champions were also there to lend a hand, alongside volunteers from other companies, universities and Non-Governmental Organisations.

HEALTH, SAFETY & ENVIRONMENT

In ensuring and providing a safe and healthy working environment for all its employees, the UMW Group continues to remain committed in implementing various health, safety and environmental programmes as stipulated in the UMW Health, Safety and Environment ("HSE") Policy.

Occupational Health & Safety Management System (OHSAS 18001:2007)

1. The OHSAS 18001:2007 surveillance audit was conducted by SIRIM QAS International Sdn. Bhd. in January and April 2013 for the following seven companies in the Group -

    - UMW Corporation Sdn. Bhd.
    - UMW Equipment Sdn. Bhd.
    - UMW Industries (1985) Sdn. Bhd.
    - UMW Industrial Power Sdn. Bhd.
    - UMW Pennzoil Distributors Sdn. Bhd.
    - UMW Advantech Sdn. Bhd.
    - Automotive Industries Sendirian Berhad.

    The audit revealed that the Management System implemented at all companies has been adequately maintained according to the OHSAS 18001:2007 standard and all companies will continue with the certification without changes.

2. Management had agreed for the Management System to be extended to the Equipment Division at two branches, Bukit Minyak, Penang, and Johor Bahru, Johor. To kick off the initiative, senior management of UMW and operating companies gathered at UMW GaleriKu on 13 June 2013, where a formal announcement was made on the programmes which commenced on 19 June 2013 at the Johor branch, and 1 July 2013 at the Bukit Minyak branch. The branches were successfully certified with OHSAS 18001:2007 by SIRIM QAS International Sdn. Bhd. on December 2013.

HSE Activities

During the year, various HSE activities were organised in an effort to continue inculcating high standards of HSE practices group-wide.

1. **"Towards Zero NCR" campaign**

    On 5 April 2013, the Lube Group launched a campaign called "Towards Zero NCR". The objectives of the campaign were to create awareness and to seek the commitment and support of staff in ensuring Zero Non-Conformity in the OHSAS 18001:2007 surveillance audit.

    As a symbolic gesture to signify their personal commitment to achieve Zero NCR, all staff were invited to sign the "Our Promise Board" to reaffirm their commitment to comply with all regulations and standards of OHSAS 18001:2007.

HEALTH, SAFETY & ENVIRONMENT

2. Fire Prevention Awareness

Knowledge of what to do during a fire hazard can potentially save lives. Therefore, Toyota Capital Malaysia Sdn. Bhd. ("TCAP"), under its Safety and Health Committee initiatives, organised a Fire Prevention Awareness & Fire Fighting Training programme in May 2013.

The programme covered critical scenarios and actions that should be taken to safeguard life and property, such as -

- The first step to take in a sudden outbreak;
- The consequences of applying wrong escape methods; and
- Operating fire-fighting equipment.

This awareness programme provided an opportunity for TCAP employees to equip themselves with the required knowledge and skills in the event of such emergencies.

3. Fire Evacuation Drills at UMW Toyota Motor

People safety has always been top priority in UMW Toyota Motor as personnel are spread across a wide range of operations with different safety issues, from Sales and Service Centres to the Vehicle and Parts Logistics Distribution Centres. However, one area of safety which spans across all segments of UMW Toyota Motor is "fire safety".

Fire evacuation drills carried out at UMW Toyota Motor's premises are based on the fire-risk and criticality of various operations. Training is regularly provided to ensure that all staff, including members of the Emergency Response Team, are fully aware of their specific roles. Thirty (30) fire drills have been planned in 2013.

4. Accident Reporting & Investigation Training

At UMW, incidents at the workplace which involve injury, property damage or near-misses are appropriately investigated to determine the hazards and how they can be avoided. The same principle applies to both minor and serious incidents. Ideally, an analysis of the situation would be conducted by experienced parties with full knowledge of the work process, procedures and industrial relations environment.

To increase awareness on this, Group HSE and Traning & Development Department jointly organised a 1½ day training programme on "Accident Reporting & Investigation" on 11 and 12 March 2013. It was attended by 22 personnel group-wide.

HEALTH, SAFETY & ENVIRONMENT

5. Road Safety: Defensive Training

Many staff at UMW Toyota Motor's Sales and Service Centres are involved in the driving and transfer of vehicles as part of their daily job function and this immediately poses the possibility of road accident, which is a potential job hazard. As such, UMW Toyota Motor has initiated various programmes to equip personnel with the necessary skills and knowledge on the road.

In 2013, two (2) defensive driving programmes were carried out on 19 April and 20 May. Forty (40) staff who are involved in driving were provided training on both theory and practical skills. Some of the key learning areas include -

- Correct mode in gauging stopping distance;
- Correct lane positioning of vehicles at corners;
- Braking techniques on vehicles with and without ABS; and
- Hazard perception.

The programmes have not only developed better drivers, but also influenced individuals to practice personal good driving habits and road etiquette.

6. KYB-UMW HR, Safety, Health & Environment week 2013

KYB-UMW organised a HR, Safety, Health & Environment Week from 9 to 12 April 2013. This event was held as part of an initiative to cultivate a safe and healthy work attitude among employees in an effort to further improve the quality of life and working conditions at the workplace. It was launched by Mr. Makoto Kimura, Managing Director of KYB-UMW. During the launch, processes that were free of industrial accidents for two years received a "zero" accident certificate.

Various activities organised during the week included -

- Safety exhibition and video;
- Health screening;
- Schedule waste management talk;
- Cataract eye disease talk; and
- Blood donation campaign.

The programme received strong support and positive response from employees. The event had enhanced KYB-UMW employees' awareness towards the function of HR, Safety, Health & Environment.

HEALTH, SAFETY & ENVIRONMENT

7. Chemical Programmes at Bukit Minyak and Johor Bahru Branches

The Group HSE and Equipment Divisions jointly organised Chemical Management programmes at UMW Johor Bahru on 19 September and Bukit Minyak on 24 September. The programmes were on -

- Chemical Exposure Monitoring;
- Chemical Management and Personal Protective Equipment Training; and
- Personal Protective Equipment Demonstration.

The chemical exposure monitoring was carried out in compliance with Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulations 2000, which is used to monitor the levels of chemical exposure for staff working with hazardous chemicals.

The compliance programmes were conducted by personnel registered with the Department of Occupational Safety and Health. All staff exposed to the chemicals, including management, were provided with adequate information through Chemical Management and Personal Protective Equipment ("PPE") training.

The training taught staff the proper handling of chemicals including classification of hazardous chemicals, Chemical Safety Data Sheet, labelling, risks and precautionary measures and suitable PPE for the job.

Awards & Recognition

In December 2013, the SIRIM Certification Panel officially announced that the Equipment Division in Johor Bahru and Bukit Minyak were certified with OHSAS 18001:2007. The accreditation is testimony of the Group's commitment to adhere to the highest international standards of health, safety and environment and it is the aspiration of UMW for more companies in the Group to be OHSAS-certified in the future.

HUMAN RESOURCE MANAGEMENT, TRAINING & DEVELOPMENT

OVERVIEW

Over the past few years, the Group Human Resource Division ("GHRD") has taken a leading role to bring UMW's employees and management closer. Efforts were made to ensure that employees are well prepared to face greater challenges by providing support in alignment with the three-pronged HR strategic pillars – building workforce competency, developing leadership and engaging high performance. In 2013, continuous efforts were made in improving leadership bench strength, enhancing employees' leadership/ technical capabilities, whilst ensuring high employee engagement for better retention of critical talents.

BUILDING WORKFORCE COMPETENCY

Recruitment Initiatives

UMW participated in five (5) local career fairs/campus recruitment in 2013 as part of efforts to attract young talents to join UMW's workforce, as well as in promoting UMW as the preferred employer of choice. The Group also participated in the UKEC – Graduan Career Fair in London in support of the Nation's call to attract local talents abroad and bring them back to Malaysia.

UMW Competency Model: Functional Competencies

Functional competencies are job-specific competencies which are developed to ensure demonstration of a designated level of technical skill/knowledge for a given position in upholding utmost professionalism. UMW continued with its efforts to develop functional competencies for nine (9) additional job families which were completed in 2013, namely -

- Legal;
- Secretarial;
- Corporate Communications;
- Corporate Development;
- Facilities Management;
- Health, Safety & Environment;
- Security;
- Risk Management; and
- Supply Chain Management.

UMW INSTEP Drilling Academy Joint Programme Roll-Out

In collaboration with Institut Teknologi Petroleum PETRONAS ("INSTEP"), a Joint Programme Roll-Out Ceremony was held on 8 February 2013 under the effort of establishing UMW INSTEP Drilling Academy ("UIDA"), the first national drilling academy of its kind. The core focus of the academy is to help build capabilities and enhance competencies of local drilling crews and address, among others, the shortage of talent within the Oil & Gas industry. The ceremony was held in acknowledgement of the commencement of the first joint drilling short course, as well as the successful completion of UIDA's first International Association of Drilling Contractors Accredited course. A token of appreciation was also awarded to INSTEP for their continuous alliance, support and effort in establishing the first national drilling academy.

HUMAN RESOURCE MANAGEMENT, TRAINING & DEVELOPMENT

UMW Technical Academy

UMW Technical Academy ("UTAc") was officially established on 8 October 2013. Its primary objective is to enhance employees' technical knowledge/competencies through the offering of structured training programmes. Currently, focus is on heavy machinery but the aim is to include forklift training in the near future. The establishment of UTAc is part of UMW's initiative to promote upward mobility, as well as career progression, particularly for rank and file employees. The academy's opening ceremony was officiated by the Human Resource Minister, Y Bhg. Datuk Richard Riot.

Executive Diploma in General Management

The Executive Diploma in General Management, offered in collaboration with SEGi College and University of Sunderland, UK, was developed to provide employees with a blended exposure in academic and work-based applications. The programme covers essential learning modules that will equip participants with sufficient knowledge and skills to manage their work, people, team dynamics, as well as to align their business-oriented paradigm. Beginning with 22 participants in 2007, today 113 employees have been successfully groomed, allowing them to possess tertiary-level academic qualifications.

SL1M-UMW: Graduate Enhancement Programme

UMW welcomed the third batch of trainees to the Skim Latihan 1 Malaysia ("SL1M") SL1M-UMW: Graduate Enhancement Programme in April 2013 in line with efforts to improve the employability of new graduates. This programme consists of six (6) weeks of soft/functional skills training plus six (6) months of on-the-job training in various participating companies within the UMW Group. The year 2013 also witnessed the graduation of 40 trainees from Batch 2. Batch 3 trainees completed their programme in November 2013 and 34 of them were able to secure employment from either the UMW Group or other organisations.

DEVELOPING LEADERSHIP

Leadership Talent Review

Subsequent to the identification of the Top 100 talents across the UMW Non-Motor Group in 2012, an assessment was conducted among the management talents in identifying their strengths and weaknesses, as well as addressing the development gaps and training needs. Apart from going through structured development programmes, Leadership Talent Review ("LTR") participants are exposed to other forms of experiential training via methods such as on-the-job coaching, project-based assignment and overseas posting. A very commendable retention rate of the LTR pool was achieved due to relentless efforts in providing fast-track career development, whilst cultivating continuous learning and performance-based cultures.

HUMAN RESOURCE MANAGEMENT, TRAINING & DEVELOPMENT

UMW Executive Development Programme

The UMW Executive Development ("ED") Programme, which was previously known as the Management Trainee Programme, was designed to attract high-potential young talents to be groomed as UMW's future leaders. The structure for the UMW ED Programme was revamped in 2013 for participants to acquire first-hand critical business knowledge and to ease the transition from the academic environment into the real business environment. Upon successful completion of the six (6) months comprehensive programme, participants were deployed to various business units/departments.

ENGAGING HIGH PERFORMANCE

Enhanced Reward Framework for Management Employees

Enhancements were made to the reward framework for all management employees in tandem with the recent bonus and annual salary review exercise which better aligns rewards to individual performance/contribution. Based on the revised framework, there is a clearer distinction in terms of reward quantum, particularly for employees who have contributed significantly to the attainment of business objectives. This will ensure the Group's competitive advantage – the retention of talented employees who are committed to organisational success.

Total Reward Statement

The Total Reward Statement ("TRS") was introduced in 2013 with the aim of maximising returns on investment by helping employees understand the value of all compensation/benefit components. TRS is more than just a paycheck which focuses solely on pay and statutory contribution items as it helps employees appreciate the full value of their total compensation and benefits package. The more employees know about their benefit programmes and related costs, the higher their levels of engagement will be.

UMW Closer 2U Employee Engagement Survey

In constantly upholding the Group's philosophy of cultivating a highly-engaged workforce to drive business performance, an employee engagement survey was rolled out in October 2013 with the assistance of a fully independent professional consultant. The overall participation rate was very encouraging, close to 85% of eligible employees took part in the survey and voiced out their perceptions on how well UMW performs as an employer. Survey findings will be further cascaded down in January and February 2014 whereby areas of concern will be identified and addressed appropriately to ensure that employees are motivated to contribute to organisational success, and are able to enhance their own sense of well-being.

HUMAN RESOURCE MANAGEMENT, TRAINING & DEVELOPMENT

Continuous Improvement Programme

Continuous Improvement Programme ("CIP") aims at fostering greater efficiency and achieving excellence in the Group's operations. All five (5) Strategic Business Units under the Equipment Division and GHRD successfully completed the 5S implementation. Forty-five (45) certifications were endorsed by Malaysia Productivity Corporation, whereby UMW was awarded as the Company that held the most number of Quality Environment System Certifications in 2013. These achievements have set a strategic foundation for UMW to launch Kobetsu Kaizen (KPI-based Kaizen) in 2014.

Closer2U III – HR Open Day

It was a fun-filled day in Shah Alam on 3 December 2013, where employees of UMW got together for "Closer 2U III", a HR Open Day specially organised for all employees. Employees had the opportunity to update their Employees Provident Fund information, pay zakat at the Lembaga Zakat Selangor booth, find out more about Private Retirement Schemes and purchase health supplements at a discounted rate from Chemical Company of Malaysia Berhad, among others. Talks were organised throughout the event and Tuan Haji Asri Abdul Wahab, Director of Labour Standards, shared informative insights on Harassment at the Workplace.

Dialogue Sessions with Union Representatives

Two (2) dialogue sessions were held with union members of the UMW Group Workers Union (Kesatuan Pekerja-Pekerja Perusahaan Kumpulan UMW) as part of the Group's continuous efforts to maintain closer rapport and cohesive industrial harmony. In addition, it is also a platform for the two (2) parties to address any critical concerns that may arise from time to time so that such matters are addressed on a timely basis.

Minimum Wage and Retirement Age

The Group complied with the Minimum Wage Order in line with statutory requirements effective 1 January 2013, where necessary adjustments were made during the 2013 Annual Salary Review Exercise. In addition, the official age of retirement for all employees within the UMW Group of Companies was also raised to sixty (60) years effective 1 July 2013 in tandem with the Minimum Retirement Age Act 2012.

Townhall Sessions and Employee Engagement Activities

The UMW Group believes that dialogues are an important avenue to promote effective communication. In 2013, Townhall sessions continued to be well received by employees and are now a permanent event in the corporate calendar. The themes of the Townhall sessions are centred on the Group's four (4) core values – an effort to continuously remind employees to live up to the Group's values.

Employee engagement activities are held regularly throughout the year. Highly engaged employees go *Beyond Boundaries*® and drive the Group to achieve its desired growth targets and beyond. Engagement activities include celebration of major festivals, sports tournament and recreational activities. In addition, the Group also provides financial assistance and scholarships to children of employees and rewards academic excellence.

CALENDAR OF EVENTS

17 JANUARY 2013

UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor") celebrated record sales achievement with the media.

31 JANUARY 2013

Lexus Malaysia opened two new showrooms simultaneously - Lexus Sungai Besi, a full-fledged 3S Centre, and Lexus Kuala Lumpur, an exclusive showroom focusing solely on sales.

8 FEBRUARY 2013

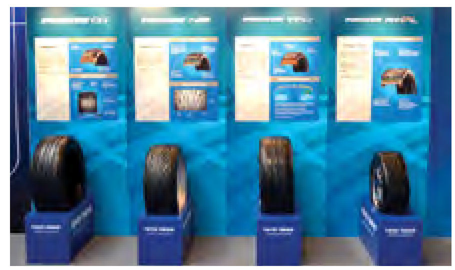
In collaboration with Institut Teknologi Petroleum PETRONAS ("INSTEP"), a Joint Programme Roll-Out Ceremony was held under the effort of UMW INSTEP Drilling Academy ("UIDA"), the first national drilling academy of its kind.

16 FEBRUARY 2013

UMW Oil & Gas Corporation Berhad took delivery of a new jack-up drilling rig, the UMW NAGA 4, from Keppel FELS Limited in Singapore.

8 MARCH 2013

UMW Industries (1985) Sdn. Bhd. ("UMW Industries") supplied 66 units of Toyota Material Handling Equipment to Toyo Tire Malaysia Sdn. Bhd. at the latter's flagship tyre manufacturing facility in Taiping, Perak.



9 & 10 MARCH 2013

UMW Toyota Motor introduced the Camry Hybrid and NS4 Plug-In Hybrid Concept at International Greentech & Eco Products Exhibition and Conference Malaysia 2013.

17 MARCH 2013

Nearly 500 participants from UMW attended Permodalan Nasional Berhad's 35th Anniversary celebrations at the Malaysia Agro Exposition Park, Serdang.

29 MARCH 2013

KYB-UMW Malaysia Sdn. Bhd. ("KYB-UMW") organised the 12th Internal Small Group Improvement Activities Convention which was held at the KYB-UMW West Plant.

6 APRIL 2013

UMW Group and PERODUA collaborated for the first time in a pilot environmental project for World Earth Day 2013 through the Mangrove Tree Planting Programme as part of the Group's continuous CSR initiatives.

CALENDAR OF EVENTS

10 APRIL 2013

At the 2012 Toyota Material Handling International ("TMHI") Award Programme, UMW Industries was awarded the President's Gold Award and Diamond Club Recognition, whilst UMW Equipment & Engineering Pte. Ltd., Singapore, won the Customer Support Award.

11 APRIL 2013

UMW Toyota Motor unveiled its latest full-fledged comprehensive 3S and Body & Paint Centre in Alor Setar, Kedah.

20 - 27 APRIL 2013

UMW participated in the 14th Minggu Amanah Saham Malaysia 2013 which was held in Kangar, Perlis.

1 MAY 2013

Toyota Suppliers Club organised a volcano tracking adventure trip to Mount Rinjani in Lombok Island, which is the second highest volcano in Indonesia.

28 MAY 2013

UMW (East Malaysia) Sdn. Bhd. conducted the Case and Komatsu equipment product training in Tawau, Sabah.

5 JUNE 2013

UMW Toyota Motor carried out its 'Amazing Toyota Value' sales campaign with attractive promotions and roadshows throughout the month.

22 JUNE 2013

80 staff from the UMW Group participated in the annual Labour Day's solidarity gathering organised by the Ministry of Human Resources at the National Sports Centre, Bukit Jalil.

23 JUNE 2013

UMW Golf Masters returned for the third year with 106 participants at the Tasik Puteri Golf & Country Club.

28 JUNE 2013

For the 12th year running, the Excellence Awards & Brand Hero Awards returned to honour UMW companies and employees that have greatly contributed towards the Group's accomplishments.

1 JULY 2013

UMW PINTAR Programme for 2013 was launched, adopting seven schools which consists of five newly-adopted schools and two existing schools.

16 AUGUST 2013

Toyota Capital Malaysia Sdn. Bhd. marked a new milestone with the launch of a multi-million iPad-based Loan Application System (known as "TCAP MOBILE").

27 - 29 AUGUST 2013

Assembly Services Sdn. Bhd. hosted the 9th Toyota Asia-Pacific QC Circle Forum at Sunway Resort Hotel & Spa, Bandar Sunway.

14 SEPTEMBER 2013

KYB-UMW celebrated its 30th anniversary in a grand gala dinner at the Majestic Hotel Kuala Lumpur. It was graced by the presence of His Excellency Mr. Shigeru Nakamura, the Ambassador of Japan to Malaysia. The highlight of this anniversary celebration was the contribution of RM100,000 to the Budimas Charitable Foundation.

CALENDAR OF EVENTS

23 SEPTEMBER 2013

Opening ceremony for Toyota Boshoku UMW Sdn. Bhd.'s third plant.

1 OCTOBER 2013

The all-new Toyota Vios was launched at The Hilton, Kuala Lumpur.

3 OCTOBER 2013

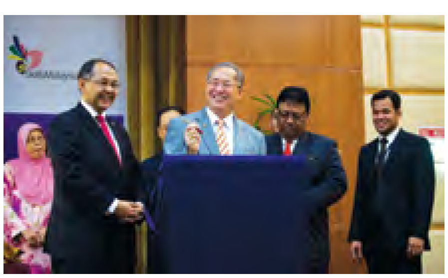
UMW Toyota Motor unveiled the new and improved Toyota Hilux at Kota Kinabalu, Sabah.

7 OCTOBER 2013

Lexus Malaysia which offers luxury, safety and comfort of fine automobiles introduced the all-new Lexus ES series.

8 OCTOBER 2013

UMW proudly launched the UMW Technical Academy and Skim Latihan Dual Nasional Programme as part of its initiative and commitment under the "Upward Mobility Scheme", which falls under the "Orange Book" of the Government-linked Companies Transformation Programme.



10 OCTOBER 2013

UMW Lubricant International Sdn. Bhd. unveiled the latest edition to their range of products, i.e., the Repsol Moto Formula Premium 4T 10W40 and Moto Formula 4T 10W40 multi-grade oil.

1 NOVEMBER 2013

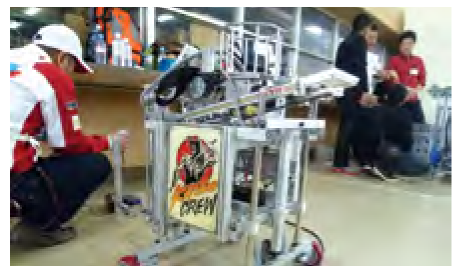
It was history in the making as UMW Oil & Gas Corporation Berhad was officially listed on the Main Market of Bursa Securities.

12 NOVEMBER 2013

The 22nd edition of the Toyota Classics Charity Fundraising Event, held at the Dewan Filharmonik PETRONAS, Kuala Lumpur raised close to RM346,000 for three deserving charity organisations.

16 NOVEMBER 2013

Katana Crew represented KYB-UMW at the 6th Robot Competition organised by KYB Corporation, Japan which was held at KYB Gifu North Plant, Japan.



12 DECEMBER 2013

58 recipients from various companies in the UMW Group received the Environmental Quality/5S Certification by Malaysia Productivity Corporation.

18 DECEMBER 2013

KYB-UMW organised the Annual Supplier's Conference, which was attended by more than 100 participants from 70 manufacturing and distribution companies, in acknowledgement of their integral link in UMW's supply chain.

STATISTICS ON SHAREHOLDINGS

AS AT 30 APRIL 2014

Authorised Share Capital	:	RM1,000,000,000 (comprising 2,000,000,000 ordinary shares of RM0.50 each)
Issued and Paid-up Share Capital	:	RM584,146,966 (comprising 1,168,293,932 ordinary shares of RM0.50 each)
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per one (1) ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
Size of Shareholdings	**Malaysian**	**Foreigner**	**No.**	**%**	**Malaysian**	**Foreigner**	**No.**	**%**
Less than 100	464	21	485	9.35	10,549	697	11,246	0.00
100 to 1,000	1,458	85	1,543	29.76	1,000,308	52,626	1,052,934	0.09
1,001 to 10,000	1,818	238	2,056	39.65	7,156,860	983,051	8,139,911	0.70
10,001 to 100,000	483	277	760	14.66	14,652,904	9,779,337	24,432,241	2.09
100,001 to less than 5% of issued shares	132	207	339	6.54	296,011,778	178,100,418	474,112,196	40.58
5% and above of issued shares	2	0	2	0.04	660,545,404	0	660,545,404	56.54
Total	**4,357**	**828**	**5,185**	**100.00**	**979,377,803**	**188,916,129**	**1,168,293,932**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
Category of Shareholders	**Malaysian**	**Foreigner**	**Malaysian**	**Foreigner**	**Malaysian**	**Foreigner**
1. Individual	3,512	193	18,541,464	2,323,452	1.59	0.20
2. Body Corporate						
(a) Banks/finance companies	67	1	681,989,208	5,206	58.38	0.00
(b) Investment trusts/ foundations/charities	2	0	5,144	0	0.00	0.00
(c) Industrial and commercial companies	96	7	3,816,455	2,588,002	0.32	0.22
3. Government agencies/ institutions	3	0	3,016,184	0	0.26	0.00
4. Nominees	676	627	272,002,682	183,999,469	23.28	15.75
5. Others	1	0	6,666	0	0.00	0.00
Total	**4,357**	**828**	**979,377,803**	**188,916,129**	**83.83**	**16.17**

STATISTICS ON SHAREHOLDINGS
AS AT 30 APRIL 2014

DIRECTORS' INTERESTS IN THE COMPANY

As at 30 April 2014, none of the other Directors have interests in the shares of the Company including deemed interests (shares held by his/her spouse and child/children), except for the following -

	Direct Interest		Deemed Interest		
			Spouse	Child	
Director	**No. of Issued Shares**	**% of Issued Shares**	**No. of Issued Shares**	**No. of Issued Shares**	**% of Issued Shares**
Tan Sri Asmat bin Kamaludin	-	-	3,000	15,000	Negligible
Total	**-**	**-**	**3,000**	**15,000**	**Negligible**

THIRTY LARGEST SHAREHOLDERS

	Shareholders	No. of Shares	%
1.	AmanahRaya Trustees Berhad - *Skim Amanah Saham Bumiputera*	475,726,000	40.72
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. - *Employees Provident Fund Board*	184,819,404	15.82
3.	Permodalan Nasional Berhad	56,244,700	4.81
4.	AmanahRaya Trustees Berhad - *Amanah Saham Wawasan 2020*	35,859,500	3.07
5.	AmanahRaya Trustees Berhad - *Amanah Saham Malaysia*	33,940,900	2.91
6.	AmanahRaya Trustees Berhad - *AS 1Malaysia*	21,810,000	1.87
7.	Malaysia Nominees (Tempatan) Sendirian Berhad - *Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)*	19,327,800	1.65
8.	Cartaban Nominees (Asing) Sdn. Bhd. - *Exempt An For State Street Bank & Trust Company (West CLT OD67)*	16,492,727	1.41
9.	AmanahRaya Trustees Berhad - *Amanah Saham Didik*	13,248,000	1.13
10.	HSBC Nominees (Asing) Sdn. Bhd. - *BBH And Co. Boston For Vanguard Emerging Markets Stock Index Fund*	12,155,420	1.04
11.	Cartaban Nominees (Tempatan) Sdn. Bhd. - *Exempt An For Eastspring Investments Berhad*	8,228,400	0.70
12.	AmanahRaya Trustees Berhad - *Public Islamic Select Enterprises Fund*	7,293,300	0.62
13.	HSBC Nominees (Asing) Sdn. Bhd. - *Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)*	7,030,931	0.60
14.	AmanahRaya Trustees Berhad - *Public Islamic Dividend Fund*	6,927,400	0.59
15.	Maybank Nominees (Tempatan) Sdn. Bhd. - *Maybank Trustees Berhad For Public Ittikal Fund (N14011970240)*	6,500,000	0.56
16.	Valuecap Sdn. Bhd.	6,425,500	0.55
17.	Cartaban Nominees (Asing) Sdn. Bhd. - *GIC Private Limited For Government of Singapore (C)*	5,980,000	0.51
18.	Citigroup Nominees (Tempatan) Sdn. Bhd. - *Employees Provident Fund Board (NOMURA)*	5,825,900	0.50
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. - *Exempt An For AIA Bhd.*	5,724,700	0.49
20.	HSBC Nominees (Asing) Sdn. Bhd. - *Exempt An For JPMorgan Chase Bank, National Association (U.A.E.)*	5,695,288	0.49

STATISTICS ON SHAREHOLDINGS
AS AT 30 APRIL 2014

THIRTY LARGEST SHAREHOLDERS (CONT'D.)

Shareholders		No. of Shares	%
21.	HSBC Nominees (Asing) Sdn. Bhd. - *Exempt An For The Bank Of New York Mellon (Mellon Acct)*	5,670,624	0.49
22.	HSBC Nominees (Asing) Sdn. Bhd. - *Exempt An For JPMorgan Chase Bank, National Association (Netherlands)*	5,543,800	0.47
23.	HSBC Nominees (Asing) Sdn. Bhd. - *Pictet And CIE (Europe) For Pictet Global Selection Fund - Global High Yield Emerging Equities Fund*	5,186,600	0.44
24.	HSBC Nominees (Asing) Sdn. Bhd. - *HSBC BK PLC For Saudi Arabian Monetary Agency*	5,159,400	0.44
25.	Maybank Nominees (Tempatan) Sdn. Bhd. - *Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)*	5,058,800	0.43
26.	HSBC Nominees (Asing) Sdn. Bhd. - *HSBC BK PLC For Kuwait Investment Office (KIO)*	4,000,000	0.34
27.	AmanahRaya Trustees Berhad - *Public Islamic Equity Fund*	3,884,900	0.33
28.	Cartaban Nominees (Asing) Sdn. Bhd. - *RBC Investor Services Bank For Robeco Capital Growth Funds*	3,569,400	0.31
29.	Citigroup Nominees (Asing) Sdn. Bhd. - *Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)*	3,549,890	0.30
30.	HSBC Nominees (Asing) Sdn. Bhd. - *Exempt An For JPMorgan Chase Bank, National Association (Norges BK Lend)*	3,507,600	0.30
TOTAL		**980,386,884**	**83.92**

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Shareholders		No. of Shares	%
1.	Skim Amanah Saham Bumiputera	475,726,000	40.72
2.	Employees Provident Fund Board*	194,005,904	16.61
TOTAL		**669,731,904**	**57.33**

* Total shares held by Employees Provident Fund Board (“EPF”) include securities accounts mentioned in items 2 and 18 of the thirty largest shareholders and in other securities accounts held by the other nominees of EPF.

The above information was extracted from the Record of Depositors received from Bursa Malaysia Depository Sdn. Bhd. on 2 May 2014.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

Status of utilisation of proceeds from the listing of UMW Oil & Gas Corporation Berhad on 1 November 2013, as at 15 May 2014 -

Purpose	Proposed Utilisation	Actual Utilisation To Date	Intended Timeframe for Utilisation from 1 November 2013	Deviation in Amount & %
	RM million	RM million	Months	
Repayment of borrowings	203.0	203.0	24	nil
Working capital	547.5	56.6	24	n/a
Capital expenditure	200.0	3.7	24	n/a
IPO/Listing expenses	51.5	21.1	6	*
TOTAL	1,002.0	284.4		

* *Certain amounts are still pending finalisation*

Share Buy-Backs

There was no share buy-back by the Company during the financial year under review.

Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities by the Company during the financial year under review.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year under review.

Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory body during the financial year under review.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2013 by the Company's external auditors or their affiliates is disclosed in Note 29 of the Financial Statements.

Variation in Results

There were no variances of 10% or more between the results for the financial year 2013 and the unaudited results previously announced.

Profit Guarantees

The Company did not give any profit guarantee during the financial year under review.

ADDITIONAL COMPLIANCE INFORMATION

Material Contracts

Particulars of material contracts of UMW and its subsidiaries, involving Directors' and major shareholders' interests, are as follows -

(a) Joint Venture Agreement dated 2 February 1993 between PNB Equity Resource Corporation Sdn. Berhad ("PNB EQUITY"), a related party, UMW Corporation Sdn. Bhd. ("UMWC"), Med-Bumikar Mara Sdn. Bhd., Daihatsu (Malaysia) Sdn. Bhd. ("DMSB"), Daihatsu Motor Co. Ltd. ("DMC") and Mitsui & Co. Ltd. ("MBK") in respect of a joint venture to set up Perusahaan Otomobil Kedua Sdn. Bhd. ("PERODUA") to undertake Malaysia's second national car project.

Supplement and Amendment Agreement dated 5 December 2001 between UMWC, DMC, MBM Resources Berhad ("MBM"), PNB EQUITY, MBK and DMSB in respect of the setting up of Perodua Auto Corporation Sdn. Bhd. and the restructuring of the manufacturing subsidiaries of PERODUA, i.e., Perodua Manufacturing Sdn. Bhd. ("PMSB") and Perodua Engine Manufacturing Sdn. Bhd. ("PEMSB") to enable the PERODUA Group to acquire the ability to compete in the post-AFTA era with assistance from DMC, through DMC's management control in PMSB and PEMSB, in improving production efficiencies, reducing cost and enhancing quality and increasing PERODUA's competitiveness in the industry.

Supplemental Agreement dated 22 April 2013 to the Joint Venture Agreement between PNB EQUITY, UMWC, MBM, DMSB, DMC, MBK and Mitsui Co. (Asia Pacific) Pte. Ltd. dated 2 February 1993, in respect of the setting up of a new manufacturing company, i.e., Perodua Global Manufacturing Sdn. Bhd. ("PGMSB") and the construction of a new plant, to enable the PERODUA Group to achieve global competitiveness in a shorter time with assistance from DMC, through DMC's management control in PGMSB, by reforming corporate culture, exercising structural transformation of systems, including, but without limitation the procurement system and/or personnel system.

PNB EQUITY is a wholly-owned subsidiary of Permodalan Nasional Berhad ("PNB") and the PNB Group is the largest shareholder of UMW Holdings Berhad, the parent company of UMWC, and therefore a related party.

(b) Shareholders' Agreement dated 2 July 1997 ("the Agreement") between UMW-PNSB Development Sdn. Bhd. (now known as UMW Development Sdn. Bhd.) ("UMW-PNSB"), UMW Corporation Sdn. Bhd. ("UMWC"), TTDI Development Sdn. Bhd. ("TTDI"), formerly a Permodalan Nasional Berhad-related party, and Permodalan Negeri Selangor Berhad ("PNSB") in connection with the joint venture between the parties for a property development project. Pursuant to the Agreement, TTDI acquired 19% and 20% from UMWC and PNSB, respectively, of the total issued and paid-up share capital of UMW-PNSB for a total cash consideration of RM25,326,525 and RM26,659,500. A Supplementary Shareholders' Agreement dated 31 March 1998 (supplemental to the Shareholders' Agreement dated 2 July 1997) between UMW-PNSB, UMWC, TTDI and PNSB to facilitate the payment of the purchase price by TTDI to UMWC and PNSB. Supplementary Shareholders' Agreement No. 2 dated 24 November 2000 between UMW-PNSB, UMWC, TTDI and PNSB in respect of the amendments to the pre-emption rights of the shareholders. Pursuant to this Agreement, Permodalan Nasional Berhad ("PNB") acquired 39% of the equity holding of TTDI in UMW-PNSB in May 2001. PNB is now a shareholder of UMW-PNSB and the PNB Group is the largest shareholder of UMW Holdings Berhad, the parent company of UMWC, and therefore a related party.

(c) Joint Venture Agreement dated 5 July 2004 between UMW Corporation Sdn. Bhd. ("UMWC"), a wholly-owned subsidiary of UMW Holdings Berhad ("UMWH"), Toyota Tsusho Corporation, Japan ("TTC") and Toyota Tsusho (Malaysia) Sdn. Bhd. ("TTM") for the setting up of a joint venture operation, under UMW Toyotsu Motors Sdn. Bhd. ("UMW Toyotsu") in which UMW Toyotsu will be an authorised non-executive dealer of UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor"), a 51%-owned subsidiary of UMWC.

Toyota Motor Corporation, Japan ("TMC"), a 39% shareholder of UMWT, owns 21.57% equity interest in TTC. TTC, a 10% shareholder of UMWT is also a 70% shareholder of TTM. TMC and TTC are deemed to be related parties by virtue of their direct interest in UMW Toyota Motor.

ADDITIONAL COMPLIANCE INFORMATION

Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting of the Company held on 27 June 2013, the Company had obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), details of recurrent related party transactions conducted during the financial year ended 31 December 2013 pursuant to the Shareholders' Mandate are as follows -

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
Toyota Motor Corporation, Japan ("TMC")	Denso International Asia Pte. Ltd., Singapore ("DIA") has 72.73% equity interest in Denso (Malaysia) Sdn. Bhd. ("Denso"). DIA is a wholly-owned subsidiary of Denso Corporation, Japan, a company in which TMC has 22.54% equity interest. TMC has direct and indirect interests in UMW Toyota Motor Sdn. Bhd. ("UMWT") and its subsidiaries by virtue of its direct 39% shareholding in UMWT, a 51%-owned subsidiary of UMW Corporation Sdn. Bhd. ("UMWC"), which is in turn a wholly-owned subsidiary of UMW Holdings Berhad ("UMWH"). UMWT has 100% equity interest in Assembly Services Sdn. Bhd. ("ASSB").	• Sale of vehicle parts by Denso to UMWT, a subsidiary of UMWC • Sale of vehicle parts by Denso to ASSB, a wholly-owned subsidiary of UMWT	608,298 136,566
TMC	TMC has 22.57% equity interest in JTEKT Corporation, which in turn has 90% equity interest in JTEKT Automotive (Malaysia) Sdn. Bhd. ("JAMSB"). UMWT has 10% equity interest in JAMSB.	• Sale of vehicle spare parts/local parts by JAMSB to UMWT, a subsidiary of UMWC	179,541
TMC	Hino Motors Sales (Malaysia) Sdn. Bhd. ("HMSB") is an associated company of Hino Motors Ltd, Japan, a company in which TMC has 50.46% equity interest.	• Payment for vehicle assembly charges by HMSB to ASSB, a wholly-owned subsidiary of UMWT	25,135
TMC	TMC has indirect interest in Perodua Manufacturing Sdn. Bhd. ("PMSB") and Perodua Engine Manufacturing Sdn. Bhd. ("PEMSB"), 28%-owned associated companies of UMWC, vide its 51.19%-owned subsidiary, Daihatsu Motor Co., Ltd., Japan ("DMC"). DMC has 20% and 41% equity interests in Perusahaan Otomobil Kedua Sdn. Bhd. ("PERODUA") and Perodua Auto Corporation Sdn. Bhd. ("PCSB"), a 19%-owned associated company of UMWC, respectively. PERODUA and PCSB in turn, have 49% and 51% equity interests in PMSB and PEMSB, respectively. UMWT has 100% equity interest in Automotive Industries Sendirian. Berhad ("AISB").	• Sale of vehicles Original Equipment ("OE") exhaust system by AISB, a wholly-owned subsidiary of UMWT, to PMSB • Sale of stamping parts/manifold assembly exhaust by AISB, a wholly-owned subsidiary of UMWT, to PEMSB	41,697 85,105

ADDITIONAL COMPLIANCE INFORMATION

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
TMC	TMC has direct and indirect interests in UMWT and its subsidiaries by virtue of its direct 39% shareholding in UMWT, a 51%-owned subsidiary of UMWC, which is in turn a wholly-owned subsidiary of UMWH. TMC has indirect interest in Toyota Boshoku UMW Sdn. Bhd. ("TBU"), vide its 39% equity interest in UMWT and 39.25% equity interest in Toyota Boshoku Corporation ("TBC"). UMWT and TBC in turn have 65% and 35% equity interest in TBU, respectively. UMWT has 100% equity interest in ASSB.	• Sale of completed vehicle seats, local vehicle OE parts by TBU to ASSB, a wholly-owned subsidiary of UMWT • Sale of fabric and CKD seat component by TTM to TBU, a subsidiary of UMWT	208,855 97,880
Toyota Tsusho Corporation, Japan ("TTC")	TMC has an indirect interest in UMWT through its associated company, TTC, by virtue of TTC's 10% direct shareholding in UMWT. TMC has 21.57% equity interest in TTC. TTC is a major shareholder of Toyota Tsusho (Malaysia) Sdn. Bhd. ("TTM") as TTC has 70% equity interest therein. TTC and TTM have 51% and 19% equity interests, respectively, in UMW Toyotsu Motors Sdn. Bhd. ("UMW Toyotsu"), a 30%-owned associated company of UMWC.	• Sale of vehicles and parts by UMWT, a subsidiary of UMWC, to UMW Toyotsu	146,498
Japan Drilling Co., Ltd. ("JDC")	JDC has 15% equity interest in UMW JDC Drilling Sdn. Bhd. ("UJD"), a 85%-owned subsidiary of UMWC. JDC Panama, Inc is a wholly-owned subsidiary of JDC.	• Payment of charter of drilling rig (NAGA 1) by UJD, a subsidiary of UMWC, to JDC Panama, Inc.	35,991

Notwithstanding the related party disclosures already presented in the audited financial statements in accordance with Malaysian Financial Reporting Standard No. 124 ("MFRS 124"), the above disclosures are made in order to comply with Paragraph 10.09 of the Bursa Securities MMLR with regard to the value of recurrent related party transactions of a revenue or trading nature conducted in accordance with the shareholders' mandate during the financial year, as the scope of related party relationships and disclosures contemplated by the Bursa Securities MMLR are, to a certain extent, different from those of MFRS 124.

TOP TEN PROPERTIES HELD BY THE UMW GROUP

AS AT 31 DECEMBER 2013

	Location	Description	Existing Use	Tenure	Approximate Area of Land/ Built-up (Sq. Metres)	Approximate Age of Building (Years)	Revaluation Date	Acquisition Date	Net Book Value (RM)
1.	**Klang** No. 1, Jalan Keluli 2/KU2 Kawasan Perindustrian Bukit Raja, Klang Selangor	Industrial Land	Integrated Quality Hub, Test Track and Centralised Body & Paint Centre	Leasehold 99 years (Land in the process of being transferred)	Land - 354,261.0 Built-up - 27,753.3	2	-	28.12.2008	76,112,542
2.	**Ulu Selangor** Lot 15001 to Lot 15009, and Lot 15019 to Lot 15024, and PT 16042 to 16045, PT 16050 and PT 16052 to PT16056 Mukim Serendah Ulu Selangor, Selangor	Industrial Land	Vacant	Leasehold 99 years expiring 25.10.2098 and Leasehold 99 years expiring 07.07.2109	Land - 2,963,743.3 Built-up - Nil	-	-	17.04.1995	74,489,047
3.	**Shah Alam** No. 2, Persiaran Raja Muda Section 15, Shah Alam Selangor	Commercial Land	UMW Toyota Motor Head Office	Leasehold 99 years expiring 22.07.2067	Land - 24,283.2 Built-up - 19,840.5	9	-	06.08.1985	41,747,498
4.	**Subang** Part of Lot 61716 Bandar Subang Jaya Daerah Petaling, Selangor	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 10,967.1 Built-up - 10,219.3	6	-	28.03.2006	36,365,119
5.	**Penang** No. 8, Jalan Jelutong Section 9W Bandar Georgetown North-East District Pulau Pinang	Industrial Land	Showroom, Parts & Service Centre	Freehold	Land - 12,137.8 Built-up - 2,653.8	6	-	29.12.2003	35,329,470
6.	**Shah Alam** No. 19, Jalan Subang Utama 2 (Jalan Puchong) Lion Industrial Park Section 22 Shah Alam, Selangor	Industrial Land	Automotive Industries Sendirian Berhad Office/Plant	Freehold	Land - 46,871.0 Built-up - 821.0	11	-	14.05.1997	26,894,505
7.	**Petaling Jaya** Lot 1, Jalan 19/1, Section 19 Petaling Jaya Selangor	Industrial Land	Showroom, Body & Paint, Parts & Service Centre	Leasehold 99 years expiring 28.06.2061	Land - 17,094.0 Built-up - 11,632.1	8	-	15.06.1991	25,602,894
8.	**Ipoh** Lot 4798, Mukim Ulu Kinta Daerah Kinta, Jalan Kuala Kangsar, Ipoh, Perak	Industrial Land	Showroom, Body & Paint, Parts and Service Centre	Leasehold 999 years expiring 02.01.2895	Land - 10,918.7 Built-up - 17,960.0	3	-	13.12.1995	25,586,268
9.	**Batu Pahat** Geran 49065, Bandar Penggaram, Daerah Batu Pahat, Johor	Industrial Land	Showroom, Body & Paint, Parts & Service Centre	Freehold	Land - 10,496.5 Built-up - 2,620.0	6	-	28.09.2005	25,280,767
10.	**Mutiara Damansara** Lot 44580, Mukim Sungai Buloh, Daerah Petaling Selangor	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 4,228.5 Built-up - 11,375.5	8	-	13.08.2004	24,569,561

financial STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Group and of the Company are referred to in Note 1 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	**1,084,212**	**1,189,023**
Attributable to:		
Equity holders of the Company	**652,926**	**1,189,023**
Non-controlling interests	**431,286**	**-**
	1,084,212	**1,189,023**

There were no material transfers to or from reserves or provisions during the financial year of the Group and of the Company other than the net gain from dilution of interest in a subsidiary, UMW Oil & Gas Corporation Berhad ("UMW-OG") by the Group of RM1.4 billion recognised in the retained profits as disclosed in Note 9(f) to the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDENDS

The amounts of dividends paid or declared by the Company since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012 and as reported in the directors report in that year:	
Second interim single-tier dividend of 30% or 15.0 sen declared on 23 November 2012 and paid on 8 February 2013	**175,244**

DIRECTORS' REPORT (CONT'D.)

DIVIDENDS (CONT'D.)

The amounts of dividends paid or declared by the Company since 31 December 2012 were as follows (cont'd.):

	RM'000
In respect of the financial year ended 31 December 2012 and as reported in the directors report in that year (cont'd.):	
Final single-tier dividend of 50% or 25.0 sen declared on 27 June 2013 and paid on 15 August 2013	**292,074**
In respect of the financial year ended 31 December 2013:	
First interim single-tier dividend of 20% or 10.0 sen declared on 30 August 2013 and paid on 8 October 2013	**116,829**
Second interim single-tier dividend of 30% or 15.0 sen declared on 21 November 2013 and paid on 20 January 2014	**175,244**
Special interim single-tier dividend of 20% or 10.0 sen declared on 21 November 2013 and paid on 20 January 2014	**116,829**

A third interim single-tier dividend in respect of the current financial year of 18% or 9.0 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM105.1 million (2012: a single-tier dividend of 50% or 25.0 sen per share of RM0.50 each, amounting to RM292.1 million net dividend) was declared on 26 February 2014 and will be paid to the shareholders on 25 April 2014. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2014.

The directors do not recommend the payment of any final dividend in respect of financial year ended 31 December 2013.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Asmat bin Kamaludin	
Datuk Syed Hisham bin Syed Wazir	
Dr. Leong Chik Weng	
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	
Dato' Siow Kim Lun @ Siow Kim Lin	
Dato' Mohd. Nizam bin Zainordin	
Khalid bin Sufat	
Rohaya binti Mohammad Yusof	(Appointed on 1 July 2013)
Tan Sri Hasmah binti Abdullah	(Appointed on 2 September 2013)
Wan Kamaruzaman bin Wan Ahmad	(Resigned on 30 April 2013)

DIRECTORS' REPORT (CONT'D.)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, the directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations except for the following:

	← Number of Ordinary Shares of RM0.50 Each →			
The Company	**1 January 2013**	**Bought**	**Sold**	**31 December 2013**
Indirect Interest				
Tan Sri Asmat bin Kamaludin	20,000	-	5,000	15,000

	← Number of Ordinary Shares of RM0.50 Each →			
Related company - UMW Oil & Gas Corporation Berhad	**1 January 2013**	**Bought**	**Sold**	**31 December 2013**
Direct Interest				
Tan Sri Asmat bin Kamaludin	-	300,000	-	300,000
Datuk Syed Hisham bin Syed Wazir	-	500,000	-	500,000
Dr. Leong Chik Weng	-	300,000	150,000	150,000
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	-	300,000	75,000	225,000
Dato' Siow Kim Lun @ Siow Kim Lin	-	300,000	-	300,000
Dato' Mohd. Nizam bin Zainordin	-	300,000	-	300,000
Khalid bin Sufat	-	300,000	-	300,000
Indirect Interest				
Tan Sri Asmat bin Kamaludin	-	4,000*	-	4,000

* Indirect interest pursuant to Section 134(12)(c) of the Companies Act, 1965.

None of the other directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D.)

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment loss on receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment loss on receivables had been made; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for impairment loss on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading or inappropriate.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any material contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D.)

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 41 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are as disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2014.

DATO' SIOW KIM LUN @ SIOW KIM LIN

DATUK SYED HISHAM BIN SYED WAZIR

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, **DATO' SIOW KIM LUN @ SIOW KIM LIN** and **DATUK SYED HISHAM BIN SYED WAZIR**, being two of the directors of **UMW HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 118 to 262 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 47 on page 263 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2014.

DATO' SIOW KIM LUN @ SIOW KIM LIN

DATUK SYED HISHAM BIN SYED WAZIR

STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, **AZMIN BIN CHE YUSOFF**, being the officer primarily responsible for the financial management of **UMW HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 118 to 263 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **AZMIN BIN CHE YUSOFF**
at Shah Alam in Selangor Darul Ehsan
on 24 April 2014

AZMIN BIN CHE YUSOFF

Before me,

PESURUHJAYA SUMPAH
No: B319
Nama: SHAHIDAH MD YUNOS
MALAYSIA

No. 7-1F
Jln. Boling Padang G 13/G,
Seksyen 13 40100 Shah Alam
Selangor.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UMW HOLDINGS BERHAD

(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of UMW Holdings Berhad, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 118 to 262.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UMW HOLDINGS BERHAD

(Incorporated in Malaysia) (Cont'd.)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 38 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 47 on page 263 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

AHMAD ZAHIRUDIN BIN ABDUL RAHIM
No. 2607/12/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 April 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(As at 31 December 2013)

	Note	2013 RM'000	2012 (restated) RM'000	As at 1.1.2012 (restated) RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	**3,898,853**	2,997,268	2,863,474
Investment properties	5	**4,553**	9,774	77,574
Intangible assets	6	**37,856**	138,334	169,245
Land use rights	7	**6,697**	4,609	4,771
Leased assets	8	**259,163**	244,788	226,936
Receivables	16	**8,614**	4,707	-
Investment in joint ventures	10	**57,909**	76,180	59,752
Investment in associates	11	**1,696,035**	1,554,728	1,414,018
Deferred tax assets	12	**57,576**	50,631	56,521
Other investments	13	**41,928**	44,800	54,730
Derivative assets	14	**7,232**	65,894	59,359
		6,076,416	5,191,713	4,986,380
Current assets				
Inventories	15	**1,754,167**	1,768,818	1,466,779
Receivables	16	**1,855,065**	1,532,749	1,170,855
Other investments	13	**2,331,470**	489,881	391,271
Tax recoverable		**17,522**	1,303	5,047
Derivative assets	14	**371**	1,596	5,171
Deposits, cash and bank balances	17	**2,557,694**	2,492,581	2,214,825
		8,516,289	6,286,928	5,253,948
Non-current assets held for sale	18	**2,442**	12,502	4,548
		8,518,731	6,299,430	5,258,496
TOTAL ASSETS		**14,595,147**	11,491,143	10,244,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(As at 31 December 2013) (Cont'd.)

	Note	2013 RM'000	2012 (restated) RM'000	As at 1.1.2012 (restated) RM'000
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	19	**584,147**	584,147	584,147
Share premium		**794,482**	794,482	794,482
Capital reserve		**396**	396	396
Hedging reserve	20	**(359)**	(2,063)	-
Foreign currency translation reserve	20	**27,022**	(39,797)	(29,026)
Retained profits		**4,884,679**	3,511,084	2,896,483
		6,290,367	4,848,249	4,246,482
Non-controlling interests		**2,642,165**	1,450,167	1,347,590
Total equity		**8,932,532**	6,298,416	5,594,072
Non-current liabilities				
Provision for liabilities	21	**44,680**	57,982	69,132
Deferred tax liabilities	12	**30,111**	28,759	34,040
Long term borrowings	22	**1,524,177**	1,633,939	1,638,699
Derivative liabilities	14	**77,669**	17,289	26,884
		1,676,637	1,737,969	1,768,755
Current liabilities				
Provision for liabilities	21	**56,071**	71,001	79,213
Taxation		**86,300**	85,921	82,993
Short term borrowings	24	**1,464,325**	1,073,674	744,772
Payables	25	**2,070,122**	2,041,872	1,816,088
Dividend payable	34	**292,073**	175,244	157,720
Derivative liabilities	14	**17,087**	7,046	1,263
		3,985,978	3,454,758	2,882,049
Total liabilities		**5,662,615**	5,192,727	4,650,804
TOTAL EQUITY AND LIABILITIES		**14,595,147**	11,491,143	10,244,876

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(For the year ended 31 December 2013)

	Note	2013 RM'000	2012 (restated) RM'000
Revenue	26	**13,951,460**	15,816,888
Other operating income	27	**244,621**	194,179
Changes in inventories		**(120,936)**	251,430
Finished goods purchased		**(9,475,388)**	(11,197,932)
Raw materials and consumables used		**(613,142)**	(642,920)
Employee benefits	28	**(1,018,634)**	(895,310)
Depreciation and amortisation		**(325,286)**	(272,985)
Other operating expenses		**(1,346,239)**	(1,354,367)
Profit from operations		**1,296,456**	1,898,983
Finance costs	30	**(99,161)**	(83,364)
Investment income	31	**80,841**	78,501
Share of results of associates and joint ventures		**157,537**	126,156
Profit before zakat and taxation	29	**1,435,673**	2,020,276
Zakat		**(1,012)**	-
Income tax expense	32	**(350,449)**	(431,469)
Profit for the year		**1,084,212**	1,588,807
Other comprehensive income/(expense)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**64,934**	(14,816)
Fair value gain/(loss) on cash flow hedge		**1,704**	(2,063)
Other comprehensive income/(expense) for the year, net of tax		**66,638**	(16,879)
Total comprehensive income for the year		**1,150,850**	1,571,928
Profit for the year attributable to:			
Equity holders of the Company		**652,926**	994,296
Non-controlling interests		**431,286**	594,511
		1,084,212	1,588,807
Total comprehensive income attributable to:			
Equity holders of the Company		**726,655**	981,462
Non-controlling interests		**424,195**	590,466
		1,150,850	1,571,928
Earnings per share attributable to equity holders of the Company (sen):			
Basic/Diluted	33	**55.9**	85.1

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the year ended 31 December 2013)

	← Non-distributable				→ Distributable				
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Capital reserve RM'000	Hedging reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	584,147	794,482	(26,344)	396	-	2,896,483	4,249,164	1,328,904	5,578,068
Effects of applying MFRS 11	-	-	(2,682)	-	-	-	(2,682)	18,686	16,004
At 1 January 2012 (restated)	584,147	794,482	(29,026)	396	-	2,896,483	4,246,482	1,347,590	5,594,072
Total comprehensive income	-	-	(10,771)	-	(2,063)	994,296	981,462	590,466	1,571,928
Transactions with owners									
Dividends (Note 34)	-	-	-	-	-	(379,695)	(379,695)	(501,776)	(881,471)
Issuance of ordinary shares by a subsidiary	-	-	-	-	-	-	-	21,752	21,752
Disposal of a subsidiary	-	-	-	-	-	-	-	(7,408)	(7,408)
Liquidation of a subsidiary	-	-	-	-	-	-	-	(19)	(19)
Reduction in non-controlling interest in subsidiaries	-	-	-	-	-	-	-	(438)	(438)
Total transactions with owners	-	-	-	-	-	(379,695)	(379,695)	(487,889)	(867,584)
At 31 December 2012 (restated)	584,147	794,482	(39,797)	396	(2,063)	3,511,084	4,848,249	1,450,167	6,298,416

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the year ended 31 December 2013) (Cont'd.)

	← Non-distributable				→	Distributable			
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Capital reserve RM'000	Hedging reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013	584,147	794,482	(37,278)	396	(2,063)	3,511,084	4,850,768	1,426,831	6,277,599
Effects of applying MFRS 11	-	-	(2,519)	-	-	-	(2,519)	23,336	20,817
At 1 January 2013 (restated)	584,147	794,482	(39,797)	396	(2,063)	3,511,084	4,848,249	1,450,167	6,298,416
Total comprehensive income	-	-	72,025	-	1,704	652,926	726,655	424,195	1,150,850
Transactions with owners									
Dividends (Note 34)	-	-	-	-	-	(700,976)	(700,976)	(466,174)	(1,167,150)
Issuance of ordinary shares by a subsidiary	-	-	-	-	-	-	-	560	560
Dilution of interest in a subsidiary (Note 9)	-	-	(5,206)	-	-	1,413,830	1,408,624	1,251,406	2,660,030
Acquisition of non-controlling interest (Note 9)	-	-	-	-	-	7,815	7,815	(17,989)	(10,174)
Total transactions with owners	-	-	(5,206)	-	-	720,669	715,463	767,803	1,483,266
At 31 December 2013	584,147	794,482	27,022	396	(359)	4,884,679	6,290,367	2,642,165	8,932,532

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(For the year ended 31 December 2013)

	2013 RM'000	2012 (restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and taxation	**1,435,673**	2,020,276
Adjustments for:		
Amortisation of product development expenditure	**-**	16
Bad debts written off	**1,684**	3,097
Depreciation and amortisation	**325,286**	272,985
Net impairment/(reversal of impairment) losses on:		
- receivables	**79,080**	1,632
- leased assets	**1,478**	(200)
- property, plant and equipment	**(4,872)**	25,228
- non-current asset held for sale	**-**	287
- investment in joint ventures	**53,474**	-
- investment in associates	**(35,606)**	(66,208)
- investment properties	**-**	146
- available-for-sale investment	**34**	-
Dividend income from investments	**(7,849)**	(3,035)
Net gain on disposal of investments	**(4,977)**	(6,554)
Impairment of goodwill	**87,414**	35,218
Interest expense	**99,161**	83,364
Interest income	**(72,992)**	(75,466)
Net gain on disposal of property, plant and equipment, non-current assets held for sale, leased assets and investment properties	**(75,267)**	(48,785)
Net reversal of inventories written down	**(6,631)**	(7,915)
Property, plant and equipment written off	**8,660**	7,145
Net reversal of provision for liabilities	**(17,271)**	(4,522)
Provision/(write back of provision) for unutilised leave	**3,462**	(829)
Net fair value losses/(gains) on financial assets	**8,474**	(28,593)
Share of results of associates	**(206,248)**	(164,361)
Share of results of joint ventures	**48,711**	38,205
Net fair value losses/(gains) on derivatives	**103,151**	(6,643)
Net unrealised foreign exchange losses	**14,400**	32,863
Operating profit before working capital changes c/f	**1,838,429**	2,107,351

CONSOLIDATED STATEMENT OF CASH FLOWS

(For the year ended 31 December 2013) (Cont'd.)

	2013 RM'000	2012 (restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)		
Operating profit before working capital changes b/f	**1,838,429**	2,107,351
Receivables	**(399,245)**	(390,485)
Inventories	**14,771**	(221,978)
Provision for liabilities	**(10,183)**	(15,104)
Payables	**(29,068)**	193,971
Cash generated from operating activities	**1,414,704**	1,673,755
Interest paid	**(92,769)**	(81,735)
Zakat and taxes paid	**(374,377)**	(423,568)
Net cash generated from operating activities	**947,558**	1,168,452
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow on acquisition of a subsidiary	**(216,875)**	(221,641)
Proceeds from issuance of shares by subsidiaries to non-controlling interests	**560**	11,944
Additional investment in joint ventures	**(63,727)**	(53,150)
Purchase of investment in available-for-sale financial asset	**(23,850)**	-
Net proceeds from disposal of shares in UMW-OG	**2,660,030**	-
Purchase of property, plant and equipment, investment properties and leased assets	**(999,937)**	(408,722)
Proceeds from disposal of property, plant and equipment, non-current assets held for sale, leased assets and investment properties	**166,642**	132,323
Proceeds from disposal of other investments	**1,191,939**	780,727
Purchase of other investments	**(3,006,417)**	(822,105)
Interest received	**72,992**	75,466
Dividends received from associates and other investments	**124,843**	83,056
(Placement of)/withdrawal of deposits pledged with banks	**(1,543)**	4,822
Net cash used in investing activities	**(95,343)**	(417,280)

CONSOLIDATED STATEMENT OF CASH FLOWS

(For the year ended 31 December 2013) (Cont'd.)

	2013 RM'000	2012 (restated) RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of long term borrowings	**677,268**	294,119
Repayment of long term borrowings	**(784,358)**	(171,403)
Net movement in short term borrowings	**347,837**	287,191
(Repayment)/drawdown of finance lease payables	**(1,381)**	2,120
Dividends paid to equity holders of the Company	**(584,147)**	(362,171)
Dividends paid to non-controlling interests	**(466,174)**	(501,775)
Net cash used in financing activities	**(810,955)**	(451,919)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**41,260**	299,253
EFFECTS OF EXCHANGE RATE CHANGES	**6,927**	(2,598)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**2,432,380**	2,135,725
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**2,480,567**	2,432,380
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	**518,339**	451,083
Deposits with licensed banks (Note 17)	**2,039,355**	2,041,498
Bank overdrafts (Note 24)	**(75,127)**	(59,744)
	2,482,567	2,432,837
Less: Deposits pledged with banks (Note 17)	**(2,000)**	(457)
	2,480,567	2,432,380

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

(As at 31 December 2013)

	Note	2013 RM'000	2012 RM'000
ASSETS			
Non-current assets			
Equipment	4	**623**	836
Investment in subsidiaries	9	**1,783,307**	1,113,991
Other investments	13	**23,850**	-
Due from subsidiaries	16	**173,886**	943,645
Derivative assets	14	**-**	64,620
		1,981,666	2,123,092
Current assets			
Other investments	13	**1,029,249**	21,621
Receivables	16	**1,238**	63,649
Due from subsidiaries	16	**90,919**	290,974
Tax recoverable		**1,435**	1,435
Deposits, cash and bank balances	17	**79,044**	68,129
		1,201,885	445,808
TOTAL ASSETS		**3,183,551**	2,568,900
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**584,147**	584,147
Share premium		**794,482**	794,482
Retained profits		**685,801**	197,754
Total equity		**2,064,430**	1,576,383
Non-current liabilities			
Long term borrowings	22	**739,770**	799,595
Derivative liabilities	14	**73,894**	10,732
		813,664	810,327
Current liabilities			
Payables	25	**13,384**	6,946
Dividend payable	34	**292,073**	175,244
		305,457	182,190
Total liabilities		**1,119,121**	992,517
TOTAL EQUITY AND LIABILITIES		**3,183,551**	2,568,900

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(For the year ended 31 December 2013)

	Note	2013 RM'000	2012 RM'000
Revenue	26	**543,788**	539,018
Other operating income	27	**931,359**	11,962
Depreciation		**(74)**	(89)
Other operating expenses		**(280,904)**	(57,605)
Profit from operations		**1,194,169**	493,286
Finance costs	30	**(42,588)**	(23,810)
Investment income	31	**38,841**	39,460
Profit before zakat and taxation	29	**1,190,422**	508,936
Zakat		**(1,012)**	-
Income tax expense	32	**(387)**	(353)
Profit for the year, representing total comprehensive income for the year		**1,189,023**	508,583

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

(For the year ended 31 December 2013)

	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 January 2012	584,147	794,482	68,866	1,447,495
Total comprehensive income	-	-	508,583	508,583
Transactions with owners				
Dividends (Note 34)	-	-	(379,695)	(379,695)
At 31 December 2012	584,147	794,482	197,754	1,576,383
At 1 January 2013	**584,147**	**794,482**	**197,754**	**1,576,383**
Total comprehensive income	**-**	**-**	**1,189,023**	**1,189,023**
Transactions with owners				
Dividends (Note 34)	**-**	**-**	**(700,976)**	**(700,976)**
At 31 December 2013	**584,147**	**794,482**	**685,801**	**2,064,430**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

(For the year ended 31 December 2013)

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and taxation	**1,190,422**	508,936
Adjustments for:		
Amortisation of financial guarantee	**(501)**	(501)
Interest expense	**42,588**	23,810
Gain on disposal of shares in a subsidiary	**(823,071)**	-
Loss on disposal of equipment	**80**	-
Interest income	**(38,841)**	(39,460)
Dividend income	**(543,788)**	(539,018)
Depreciation of equipment	**74**	89
Net fair value gains on financial assets	**(1,303)**	(184)
Net write back of impairment on investment in subsidiaries	**(15,000)**	-
Allowance for impairment loss on amount due from subsidiaries	**164,357**	-
Net unrealised foreign exchange (gains)/losses	**(24,950)**	33,228
Net fair value losses/(gains) on derivatives	**100,592**	(10,059)
Operating profit/(loss) before working capital changes	**50,659**	(23,159)
Receivables	**317**	(63,179)
Amounts due from subsidiaries	**104,831**	(154,588)
Payables	**8,823**	(14,257)
Cash generated from/(used in) operations	**164,630**	(255,183)
Interest paid	**(44,474)**	(9,572)
Zakat and taxes paid	**(1,399)**	(678)
Net cash generated from/(used in) operating activities	**118,757**	(265,433)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**38,268**	39,763
Dividends received	**543,788**	334,566
Purchase of other investments	**(1,624,825)**	-
Proceeds from disposal of shares pursuant to listing of UMW-OG	**1,002,000**	-
Purchase of investment in available-for-sale financial assets	**(23,850)**	-
Proceeds from disposal of other investments	**618,500**	83,437
Proceeds from disposal of equipment	**59**	-
Additional investment in a subsidiary	**(45,000)**	(18,506)
Net cash generated from investing activities	**508,940**	439,260

STATEMENT OF CASH FLOWS

(For the year ended 31 December 2013) (Cont'd.)

	2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/drawdown of long term borrowings	**(59,825)**	189,954
Proceeds from settlement of derivatives	**27,190**	-
Dividends paid to equity holders of the Company	**(584,147)**	(362,171)
Net cash used in financing activities	**(616,782)**	(172,217)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,915**	1,610
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**68,129**	66,519
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**79,044**	68,129
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	**68,839**	68,129
Deposits with licensed banks (Note 17)	**10,205**	-
	79,044	68,129

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013)

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries are as disclosed in Note 38 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") as issued by Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand RM except when otherwise indicated.

As at 1 January 2013, the Group and Company had adopted new amendments and revised MFRS (collectively referred as "pronouncements") that have been issued by the MASB as described in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 101 (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
Amendments to MFRS 116 (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
MFRS 128 Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1 Government Loans (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities Transition Guidance	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

The adoption of the above MFRSs and IC Interpretations did not have any significant impact to the Group and the Company except for:

MFRS 11: Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly-controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

MFRS 11 has been applied retrospectively in accordance with the relevant transitional provisions set out in MFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated. The opening consolidated statements of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated.

As the Group previously opted for proportionate consolidation of its JCE, the application of MFRS 11 results in a change in accounting to equity policy method of accounting for the group's joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

MFRS 11: Joint Arrangements (cont'd.)

The above change in accounting policy has affected the amounts reported in the Group's consolidated financial statements, as shown below.

Impact on statement of comprehensive income (increase/(decrease) in profit):

	2012 RM'000
Revenue	(46,729)
Other operating income	(120)
Changes in inventories	(4,084)
Finished goods purchased	(45,929)
Raw materials and consumables used	73,911
Employee benefits	6,656
Depreciation and amortisation	12,490
Other operating expenses	33,041
Profit from operations	29,236
Finance costs	19,624
Investment income	(72)
Share of results of associates and joint ventures	(38,205)
Profit before zakat and taxation	10,583
Income tax expense	142
Profit for the year	10,725

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

MFRS 11: Joint Arrangements (cont'd.)

The transition did not have any impact on either the other comprehensive income for the period or the Group's basic or diluted EPS.

Impact on equity (increase/(decrease) in net equity):

	31.12.2012 RM'000	1.1.2012 RM'000
Property, plant and equipment	(198,353)	(213,721)
Investments in joint venture	29,045	49,327
Derivative assets	-	(18,432)
Goodwill	(28,791)	(30,170)
Total non-current assets	**(198,099)**	**(212,996)**
Inventories	(65,710)	(52,104)
Receivables	(34,370)	(41,673)
Derivative assets	-	(233)
Deposits, cash and bank balances	(2,723)	(4,605)
Total assets	**(300,902)**	**(311,611)**
Interest-bearing financial liabilities (non-current)	92,443	104,597
Derivative liabilities	4,898	8,498
Payables	143,074	108,166
Short term borrowings	81,306	105,936
Taxation	(2)	418
Total liabilities	**321,719**	**327,615**
Net impact on equity	**20,817**	**16,004**

Impact on cash flow statements (increase/(decrease) in cash flows):

	2012 RM'000
Operating	21,263
Investing	6,139
Financing	(30,125)
Net decrease in cash and cash equivalents	(2,723)

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies and disclosures (cont'd.)

MFRS 12: Disclosures of Interest in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 13: Fair Value Measurement

MFRS 13 replaces and expands the disclosure requirements about fair value measurements in other MFRSs, including MFRS 7, Financial Instruments: Disclosures. MFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other MFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Upon adoption of MFRS 13, the Group and the Company have provided additional disclosures about fair value measurement.

In accordance with the transitional provisions of MFRS 13, the Group and the Company have applied the new fair value measurement guidance prospectively and have not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

MFRS 127: Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for investments in subsidiaries, joint ventures and associates in separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective

The standards and IC Interpretations that are issued but not yet effective up to the date of issuance of the Group and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The directors expect that the adoption of the above standards and IC Interpretations will have no material impact on the financial statements in the period of initial application except as disclosed below:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion.

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies

(a) Subsidiaries, basis of consolidation, associates and joint arrangements

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(i) Basis of consolidation (cont'd.)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(iii) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(iv) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting.

(v) Joint arrangement

A joint arrangement is an arrangement of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangement's returns.

In the previous financial years, joint arrangement was classified and accounted for as either jointly-controlled entity or jointly-controlled asset or jointly-controlled operation.

Upon adoption of MFRS 11 Joint Arrangements in the current financial year, joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as a joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. Whilst, a joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangements. The Group has classified its joint arrangement as joint venture and accounted for its interest in joint venture using the equity method as described in Note 2.4(a)(vi).

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(vi) Equity method of accounting

Under the equity method, the investments in associate and joint venture are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate and joint venture. The Group's share of the net profit or loss of the associate and joint venture is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss. The associate or joint venture is equity accounted for from the date the Group exercises significant influence over the financial and operating policies of the associate until the date the Group ceases to have significant influence over the associate or joint venture.

Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the year in which the investment is acquired.

When the Group's share of losses in associate or joint venture equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the holding company.

The most recent available audited financial statements of the associate or joint venture is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(vi) Equity method of accounting (cont'd.)

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

In the separate financial statements of the Company and the Group's subsidiaries, investments in subsidiaries, associate and joint venture are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are either included in the asset's carrying amount or recognised as a separate asset, provided costs can be measured reliably and it is probable that future economic benefits associated with these costs will flow to the Group.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to the profit or loss during the financial period which they are incurred.

Freehold land and assets-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates or periods:

Leasehold land - finance lease		Over lease period of 50 - 99 years
Buildings	)	Over period of 50 years or period of the
	)	land lease, whichever is the shorter
Plant and machinery		3% - 33%
Rigs and hydraulic workover units ("HWUs")		3% - 10%
Drilling related equipment		3% - 50%
Office equipment, furniture and fittings		10% - 50%
Motor vehicles		20% - 33%
Renovation and improvements		10% - 16%

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Property, plant and equipment (cont'd.)

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income in the year the asset is derecognised.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(z).

(c) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Upon the disposal of a land use right, the difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss.

When an indication of impairment exists, the carrying amount of the land use rights is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(z).

(d) Leased assets

Leased assets represent plant and equipment leased by the Group to third parties under operating leases.

Depreciation of leased assets is provided for on a straight-line basis calculated to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates of depreciation:

Plant and machinery	12.5% - 33.3%
Other equipment and tools	12.5%

The accounting policies for leased assets are the same as that for property, plant and equipment in all respects.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Investment properties

Investment property is land or buildings held by the Group or held under finance leases, to earn rental income or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Depreciation of other investment property is provided for on a straight-line basis to write off the cost to its residual value over its estimated useful life at the following periods:

Leasehold land - finance lease		Over lease period of 50 - 99 years
Buildings	)	Over a period of 50 years or period of
	)	the lease whichever is the shorter

Upon the disposal of an item of investment property, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(z).

(f) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) and other investments or financial assets acquired principally for the purpose of selling in the near term.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

(i) Financial assets at fair value through profit or loss (cont'd.)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Fair value through profit or loss comprises investment in cash funds, quoted shares and derivatives.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those with maturity dates later than 12 months from the reporting date are classified as non-current.

Loans and receivables of the Group and the Company comprise of trade and other receivables (other than accrued income and prepayments), due from related companies and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group has designated its other investments in mutual funds as held-to-maturity investments.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

All unquoted equity investments of the Group and the Company are designated as available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

A financial asset is derecognised when the contractual rights to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(g) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio that past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets (cont'd.)

(i) Trade and other receivable and other financial assets carried at amortised cost (cont'd.)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value or being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

Cost is determined principally by the following methods:

Equipment, unassembled and completed vehicles and attachments	-	specific identification
Finished goods, work-in-progress, raw materials, spares and consumables	-	weighted average

Cost of raw materials, spares and consumables represent cost of purchase.

For manufactured goods, completed vehicles, attachments and work-in-progress, cost includes cost of raw materials, direct labour and the appropriate production overheads.

(j) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(j) Intangible assets (cont'd.)

(ii) Research and development expenditure

Research expenditure is recognised as an expense when incurred.

Costs incurred on development projects are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs, considered to have finite lives, are stated at cost less any impairment losses and are amortised from the commencement of the commercial production of the product to which they relate, on a systematic basis based on the volume sold, so as to reflect the pattern in which the related economic benefits are recognised over the period of their expected benefit, but not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

(k) Foreign currencies

(i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially converted into functional currency at rates of exchange ruling at the transaction dates.

Non-monetary items

At each financial reporting date, foreign currency non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

Monetary items

At each reporting date, foreign currency monetary items are translated into functional currency at exchange rates ruling at that date.

- **Entity's financial statements**

  Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

  Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

- **Consolidated financial statements**

  Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are taken directly to the foreign currency translation reserve within other comprehensive income until the disposal of the foreign operations, at which time they are recognised in profit or loss.

(iii) Foreign operations

Financial statements of foreign subsidiaries consolidated are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to the profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Foreign currencies (cont'd.)

(iii) Foreign operations (cont'd.)

The principal exchange rates at the reporting date used for the translation of foreign currencies are as follows:

	2013 RM	2012 RM
United States Dollar	**3.2790**	3.0590
Singapore Dollar	**2.5930**	2.5050
Sterling Pound	**5.4210**	4.9455
Euro	**4.5150**	4.0355
Australian Dollar	**2.9255**	3.1750
Chinese Renminbi	**0.5417**	0.4910
Papua New Guinea Kina	**1.3930**	1.5450
Vietnamese Dong (100 units)	**0.0156**	0.0147
Thai Baht (100 units)	**10.1465**	10.0015
Japanese Yen (100 units)	**3.1230**	3.5545
Indonesian Rupiah (100 units)	**0.0270**	0.0320
Indian Rupee (100 units)	**5.3070**	5.5890
Hong Kong Dollar	**0.4229**	0.3946
Bahrain Dinar	**8.7020**	8.1145
Oman Riyal	**8.5200**	7.9435

(l) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(l) Financial liabilities (cont'd.)

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have designated its derivatives as fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(n) Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

(o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(q) Zakat

This represents business zakat payable by the Group and the Company. Zakat in the form of contribution is calculated based on certain percentage of the net current asset or profit after taxation according to the principles of Syariah.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which these can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition.

Deferred tax liabilities are recognised for all temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from sale of goods is recognised net of sales discounts when transfer of significant risks and rewards of ownership has been completed. Revenue is recognised net of sales tax and services tax and includes excise duties.

(ii) Revenue from services rendered is recognised net of service tax on accrual basis as and when services are performed.

(iii) Rental income on operating lease transactions is accounted for on a straight-line basis over the lease term.

(iv) Revenue from the provision of drilling or workover services include minimum lease payments from customers under day-rate based contracts and other services. Revenue generated from day-rate based contracts, which are classified as operating leases by the Group, are recognised over the period the service is rendered.

(v) Dividend income is recognised when the shareholders' rights to receive payment is established.

(vi) Interest income is recognised using the effective interest method.

(vii) Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.4(y).

(viii) Finance lease interest from the leasing of assets are recognised according to the effective interest method so as to provide constant periodic rate of return on the net investment.

(t) Leases

(i) Where Group is a lessee

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments, at the inception of the lease. The corresponding lease obligations, net of finance charges are included in borrowings. The interest rate implicit in the lease is used as the discount factor in calculating the present value of the minimum lease payments. Initial direct costs incurred are included as part of the asset.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(t) Leases (cont'd.)

(i) Where Group is a lessee (cont'd.)

The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability for each period.

The depreciation policy for assets held under finance leases is consistent with that for depreciable property, plant and equipment as described in Note 2.4(b).

Lease rental payments on operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) Where Group is a lessor

The present value of lease payments receivable under a finance lease is recognised as finance lease receivables. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return on the balance outstanding.

Assets leased out under operating leases are included as leased assets in the statement of comprehensive income. They are depreciated over their expected useful lives as described in Note 2.4(d). Net rental income is recognised on a straight-line basis over the lease term.

(u) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(u) Employee benefits (cont'd.)

(ii) Defined contribution plans (cont'd.)

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in the statement of comprehensive income as incurred.

(iii) Retirement benefits

The Group contributes to retirement schemes for its employees in accordance with its obligations. The major schemes are the UMW Group Retirement Plan ("UGRP") and the Sejati Motor Retirement Plan ("SMRP"). Both of these schemes are defined benefit plans. These retirement schemes are funded by payments to trusts whose assets are separately administered from those of the Group.

The cost of retirement benefits is determined based on triennial actuarial valuation by independent actuaries using the Projected Unit Credit Valuation Method for both UGRP and SMRP, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. The last valuations were carried out as of 31 December 2010 for UGRP and 31 December 2012 for SMRP, respectively.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(u) Employee benefits (cont'd.)

(iii) Retirement benefits (cont'd.)

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

(v) Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(w) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Dividends proposed or declared after the reporting date were not recognised as a liability at the reporting date.

(x) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the non-current assets are measured in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5, that is at the lower of carrying amount and fair value less costs to sell. Any difference are included in profit or loss. Non-current assets classified as held for sale, is not depreciated.

(y) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses, respectively, by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(y) Construction contracts (cont'd.)

When the sum of total costs incurred on construction contracts and recognised profits or recognised losses exceed progress billings, the balance is classified as amount due from customers on contracts. Conversely, when progress billings exceed the sum of total costs incurred on construction contracts and recognised profits or recognised losses, the balance is classified as amount due to customers on contracts.

(z) Impairment of non-financial assets

The carrying amounts of assets, other than construction contract assets, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(aa) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Group Chief Executive Officer who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

(bb) Fair value measurement

As of 1 January 2013, the Group and the Company adopted MFRS 13: Fair Value Measurement which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group and the Company applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's and the Company's assets or liabilities other than the additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(cc) Derivatives

The Group and the Company uses derivative financial instruments such as forward currency contracts, interest rate swaps, cross currency swaps and cross currency interest rate swaps to manage its risks associated with foreign currency and interest rate fluctuations. Derivatives are initially recorded at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to profit or loss for the financial year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of available-for-sale investments

The Group reviews its equity investment classified as available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. The Group impaired unquoted equity investment with significant decline in fair value and prolonged period of 12 months and more.

The impairment losses recognised for unquoted available-for-sale financial assets as at 31 December 2013 is RM660,000 (2012: RM626,000).

3.2 Significant accounting estimates

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.2 Significant accounting estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis or at other times when such indicators exist. This requires an estimation of the value-in-use of the CGU to which goodwill are allocated.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of goodwill as at 31 December 2013 are as follows:

(a) Goodwill on consolidation of RM37,856,000 (2012: RM138,334,000); and

(b) Goodwill on acquisition of associates and joint ventures subsumed within its carrying amounts the costs of investment in associates and joint ventures of RM41,942,000 (2012: RM41,942,000) and RM15,239,000 (2012: RM28,791,000), respectively.

Further details are disclosed in Notes 6, 10 and 11.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of recognised and unrecognised deferred tax assets is disclosed in Note 12.

(iii) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the plant and machinery's estimated useful lives. Management estimates the useful lives of these plant and machinery to be within 2 to 30 years based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.2 Significant accounting estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

(iv) Provision for warranties

The Group recognises a provision for liabilities associated with the warranties provided on certain products. This requires an estimation of the expenditure required to settle the present obligation at the reporting date. In determining the provision, the Group has made assumptions in relation to the expected cost to repair and/or replace the products and the expected timing of those costs. As at 31 December 2013, the carrying amount of provision for warranties was RM100,857,000 (2012: RM131,392,000). Further details are provided in Note 21.

(v) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT

	*Land and buildings RM'000	Rigs, HWUs, drilling equipments, plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
Group					
Cost					
At 1 January 2012 (restated)	1,181,983	2,517,559	121,957	468,875	4,290,374
Exchange differences	(1,457)	(63,327)	(5,240)	2,023	(68,001)
Additions	8,949	92,104	158,457	36,997	296,507
Write-offs	(3,367)	(12,336)	-	(17,069)	(32,772)
Disposals	(14,580)	(58,151)	(520)	(59,354)	(132,605)
Reclassification	27,665	(1,848)	(27,932)	2,115	-
Reclassified to investment properties (Note 5)	(8,807)	-	-	-	(8,807)
Reclassified to leased assets (Note 8)	-	(74)	-	(60)	(134)
Reclassified to assets held for sale (Note 18)	(13,462)	-	-	-	(13,462)
Disposal of a subsidiary	(12,477)	(4,492)	-	(4,150)	(21,119)
Acquisition of a subsidiary (Note 9(d))	-	-	220,569	-	220,569
At 31 December 2012 (restated)	**1,164,447**	**2,469,435**	**467,291**	**429,377**	**4,530,550**
Exchange differences	**(881)**	**101,077**	**17,515**	**(691)**	**117,020**
Additions	**18,022**	**739,751**	**84,422**	**43,631**	**885,826**
Write-offs	**(34)**	**(33,999)**	**-**	**(18,149)**	**(52,182)**
Disposals	**(44,524)**	**(7,870)**	**(90)**	**(30,599)**	**(83,083)**
Reclassification	**22,200**	**302,351**	**(341,847)**	**17,296**	**-**
Reclassified to land use rights (Note 7)	**(2,152)**	**-**	**-**	**-**	**(2,152)**
Disposal of subsidiaries	**(1,565)**	**(354)**	**-**	**(242)**	**(2,161)**
Acquisition of a subsidiary (Note 9(c))	**-**	**-**	**216,875**	**-**	**216,875**
At 31 December 2013	**1,155,513**	**3,570,391**	**444,166**	**440,623**	**5,610,693**

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	*Land and buildings RM'000	Rigs, HWUs, drilling equipments, plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
Group (cont'd.)					
Accumulated depreciation and impairment losses					
At 1 January 2012 (restated)	260,954	845,020	-	320,926	1,426,900
Exchange differences	230	(8,376)	-	5,775	(2,371)
Charge for the year	25,232	134,435	-	34,411	194,078
Reclassified to leased assets (Note 8)	-	(49)	-	(61)	(110)
Write-offs	(3,332)	(5,460)	-	(16,835)	(25,627)
Disposals	(1,066)	(41,948)	-	(32,075)	(75,089)
Impairment losses	-	25,228	-	-	25,228
Disposal of a subsidiary	(1,683)	(3,956)	-	(1,726)	(7,365)
Reclassification	68	26	-	(94)	-
Reclassified to investment properties (Note 5)	(530)	-	-	-	(530)
Reclassified to assets held for sale (Note 18)	(1,832)	-	-	-	(1,832)
At 31 December 2012 (restated)	**278,041**	**944,920**	**-**	**310,321**	**1,533,282**
Exchange differences	**(16)**	**12,878**	**-**	**321**	**13,183**
Charge for the year	**25,095**	**181,052**	**-**	**34,055**	**240,202**
Write-offs	**(24)**	**(24,103)**	**-**	**(19,395)**	**(43,522)**
Disposals	**(4,251)**	**(5,905)**	**-**	**(16,002)**	**(26,158)**
Impairment losses	**(4,902)**	**30**	**-**	**-**	**(4,872)**
Reclassification	**-**	**(16)**	**-**	**16**	**-**
Reclassified to land use rights (Note 7)	**(72)**	**-**	**-**	**-**	**(72)**
Disposal of subsidiaries	**(13)**	**(31)**	**-**	**(159)**	**(203)**
At 31 December 2013	**293,858**	**1,108,825**	**-**	**309,157**	**1,711,840**

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	*Land and buildings RM'000	Rigs, HWUs, drilling equipments, plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
Group (cont'd.)					
Net carrying amount					
At 31 December 2013	**861,655**	**2,461,566**	**444,166**	**131,466**	**3,898,853**
At 31 December 2012 (restated)	886,406	1,524,515	467,291	119,056	2,997,268

	Motor vehicles RM'000
Company	
Cost	
At 1 January 2012/31 December 2012	**1,013**
Disposals	**(168)**
At 31 December 2013	**845**
Accumulated depreciation	
At 1 January 2012	88
Charge for the year	89
At 31 December 2012	**177**
Charge for the year	**74**
Disposals	**(29)**
At 31 December 2013	**222**
Net carrying amount	
At 31 December 2013	**623**
At 31 December 2012	836

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

*** Land and buildings**

	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Cost							
At 1 January 2012 (restated)	138,251	231,679	173,780	22,150	569,572	46,551	1,181,983
Exchange differences	(726)	(1,974)	60	(17)	619	581	(1,457)
Additions	299	7,303	282	129	936	-	8,949
Disposal of a subsidiary	-	-	-	-	(12,477)	-	(12,477)
Write-offs	-	(1,792)	-	-	(1,575)	-	(3,367)
Disposals	(13,410)	-	-	-	(1,170)	-	(14,580)
Reclassification	(4,720)	1,858	1,466	-	29,061	-	27,665
Reclassified to investment properties (Note 5)	-	-	(8,807)	-	-	-	(8,807)
Reclassified to assets held for sale (Note 18)	-	-	(176)	-	(13,286)	-	(13,462)
At 31 December 2012 (restated)	**119,694**	**237,074**	**166,605**	**22,262**	**571,680**	**47,132**	**1,164,447**
Exchange differences	**(289)**	**(1,817)**	**(319)**	**41**	**537**	**966**	**(881)**
Additions	**11,688**	**805**	**1**	**1,404**	**3,001**	**1,123**	**18,022**
Write-offs	**-**	**(20)**	**-**	**-**	**(14)**	**-**	**(34)**
Disposals	**-**	**-**	**(25,736)**	**-**	**(18,788)**	**-**	**(44,524)**
Reclassification	**(8)**	**16,552**	**(4,168)**	**-**	**8,146**	**1,678**	**22,200**
Reclassified to land use rights (Note 7)	**-**	**-**	**(2,152)**	**-**	**-**	**-**	**(2,152)**
Disposal of subsidiaries	**(1,428)**	**(137)**	**-**	**-**	**-**	**-**	**(1,565)**
At 31 December 2013	**129,657**	**252,457**	**134,231**	**23,707**	**564,562**	**50,899**	**1,155,513**

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

*** Land and buildings (cont'd.)**

	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Accumulated depreciation and impairment losses							
At 1 January 2012 (restated)	-	30,061	30,114	10,972	164,242	25,565	260,954
Exchange differences	-	(66)	134	(5)	17	150	230
Charge for the year	-	4,422	2,573	750	16,550	937	25,232
Write-offs	-	(1,792)	-	-	(1,540)	-	(3,332)
Disposals	-	-	(1,066)	-	-	-	(1,066)
Reclassification	-	-	1,685	-	(1,617)	-	68
Reclassified to investment properties (Note 5)	-	-	(530)	-	-	-	(530)
Reclassified to assets held for sale (Note 18)	-	-	(7)	-	(1,825)	-	(1,832)
Disposal of a subsidiary	-	-	-	-	(1,683)	-	(1,683)
At 31 December 2012 (restated)	**-**	**32,625**	**32,903**	**11,717**	**174,144**	**26,652**	**278,041**
Exchange differences	**-**	**(94)**	**(364)**	**15**	**146**	**281**	**(16)**
Charge for the year	**-**	**5,146**	**2,726**	**321**	**15,772**	**1,130**	**25,095**
Write-offs	**-**	**(11)**	**(3)**	**-**	**(10)**	**-**	**(24)**
Disposals	**-**	**-**	**(2,427)**	**-**	**(1,824)**	**-**	**(4,251)**
Impairment losses	**-**	**3**	**-**	**-**	**(4,905)**	**-**	**(4,902)**
Reclassification	**-**	**-**	**(859)**	**-**	**(63)**	**922**	**-**
Reclassified to land use rights (Note 7)	**-**	**-**	**(72)**	**-**	**-**	**-**	**(72)**
Disposal of subsidiaries	**-**	**(13)**	**-**	**-**	**-**	**-**	**(13)**
At 31 December 2013	**-**	**37,656**	**31,904**	**12,053**	**183,260**	**28,985**	**293,858**
Net carrying amount							
At 31 December 2013	**129,657**	**214,801**	**102,327**	**11,654**	**381,302**	**21,914**	**861,655**
At 31 December 2012 (restated)	119,694	204,449	133,702	10,545	397,536	20,480	886,406

** Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Included in the property, plant and equipment of the Group are fully depreciated assets which are still in use with their carrying costs as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Land and buildings	**5,945**	5,874
Plant and machinery	**510,598**	479,513
Office equipment, furniture and fittings and motor vehicles	**197,050**	198,830

(b) The net book value of plant and equipment held under hire purchase arrangements is RM1,719,000 (2012: RM2,897,000).

(c) Interest expense capitalised during the financial year under assets-in-progress of the Group amounted to RM4,458,000 (2012: RM4,354,000), as disclosed in Note 30.

(d) The net book value of property, plant and equipment pledged for borrowings (Note 22 and Note 24) are as follows:

	Group	
	2013	**2012**
		(restated)
	RM'000	**RM'000**
Assets-in-progress and plant and machinery	**98,831**	98,706
Land and buildings	**44,163**	43,512
Others	**7,667**	1,850
	150,661	144,068

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

5. INVESTMENT PROPERTIES

	Freehold land RM'000	Building on freehold land RM'000	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Total RM'000
Group					
Cost					
At 1 January 2012	129	1,610	89,406	224	91,369
Reclassified from property, plant and equipment (Note 4)	-	-	8,807	-	8,807
Reclassified to inventories (Note 15)	-	-	(80,447)	-	(80,447)
Reclassified to assets held for sale (Note 18)	-	(1,175)	-	-	(1,175)
At 31 December 2012	**129**	**435**	**17,766**	**224**	**18,554**
Exchange differences	**-**	**18**	**-**	**-**	**18**
Disposals	**-**	**-**	**(4,116)**	**-**	**(4,116)**
Reclassified to assets held for sale (Note 18)	**-**	**-**	**(6,070)**	**-**	**(6,070)**
At 31 December 2013	**129**	**453**	**7,580**	**224**	**8,386**
Accumulated depreciation					
At 1 January 2012	-	424	13,209	162	13,795
Charge for the year	-	5	694	11	710
Impairment losses	-	146	-	-	146
Reclassified from property, plant and equipment (Note 4)	-	-	530	-	530
Reclassified to inventories (Note 15)	-	-	(5,958)	-	(5,958)
Reclassified to assets held for sale (Note 18)	-	(443)	-	-	(443)
At 31 December 2012	**-**	**132**	**8,475**	**173**	**8,780**
Charge for the year	**-**	**5**	**694**	**12**	**711**
Disposals	**-**	**-**	**(2,030)**	**-**	**(2,030)**
Reclassified to assets held for sale (Note 18)	**-**	**-**	**(3,628)**	**-**	**(3,628)**
At 31 December 2013	**-**	**137**	**3,511**	**185**	**3,833**

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

5. INVESTMENT PROPERTIES (CONT'D.)

	Freehold land RM'000	Building on freehold land RM'000	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Total RM'000
Group (cont'd.)					
Net carrying amount					
At 31 December 2013	**129**	**316**	**4,069**	**39**	**4,553**
At 31 December 2012	129	303	9,291	51	9,774

Fair value of investment properties as at 31 December 2013 was estimated by the directors to be approximately RM60,609,000 (2012: RM108,288,000).

6. INTANGIBLE ASSETS

	Group 2013 RM'000	2012 (restated) RM'000
Goodwill on consolidation (Note a)	**37,856**	138,334
Product development expenditure (Note b)	**-**	-
	37,856	138,334

(a) Goodwill on consolidation

	Group 2013 RM'000	2012 (restated) RM'000
At 1 January (restated)	**138,334**	169,229
Forfeiture of profit guarantee (Note 25)	**(31,868)**	-
Disposal of a subsidiary	**-**	(4,281)
Arising from acquisition of subsidiaries (Note 9(d))	**-**	10,441
Impairment (Note 29)	**(87,414)**	(35,218)
Exchange differences	**18,804**	(1,837)
At 31 December	**37,856**	138,334

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

6. INTANGIBLE ASSETS (CONT'D.)

	Group 2013 RM'000	Group 2012 (restated) RM'000
(b) Product development expenditure		
At 1 January	-	16
Charged to profit or loss	-	(16)
At 31 December	-	-

(c) Impairment tests for goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified according to country of operation and business segment as follows:

	Malaysia RM'000	People's Republic of China RM'000	India RM'000	Republic of Singapore RM'000	Total RM'000
At 31 December 2013					
Oil and Gas	**11,291**	**-**	**-**	**-**	**11,291**
Others	**-**	**21,875**	**4,436**	**254**	**26,565**
	11,291	**21,875**	**4,436**	**254**	**37,856**
At 31 December 2012 (restated)					
Oil and Gas	19,107	-	-	-	19,107
Manufacturing and Engineering	-	-	46,046	-	46,046
Others	-	21,875	51,059	247	73,181
	19,107	21,875	97,105	247	138,334

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

6. INTANGIBLE ASSETS (CONT'D.)

(c) Impairment tests for goodwill (cont'd.)

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated based on year five cash flows into perpetuity using pre-tax discount rate. Key assumptions used for value-in-use calculations are:

	Gross margin		Discount rates	
	2013	**2012**	**2013**	**2012**
	%	**%**	**%**	**%**
Oil and Gas:				
Malaysia	**54.0 - 62.0**	52.0 - 57.0	**10.0 - 17.0**	9.0 - 14.0
Manufacturing and Engineering:				
India	**-**	16.0 - 34.0	**-**	13.0
Others:				
People's Republic of China	**11.0**	8.0 - 14.0	**15.0**	15.0 - 16.0
India	**10.0**	10.0 - 25.0	**15.0**	14.0 - 15.0

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year, an impairment loss was recognised to write-down the carrying amount of goodwill amounting to RM87,414,000 (2012: RM35,218,000).

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

7. LAND USE RIGHTS

	Short term leasehold land RM'000
Cost	
At 1 January 2012	5,857
Exchange differences	129
At 31 December 2012	**5,986**
Exchange differences	**223**
Reclassified from property, plant and equipment (Note 4)	**2,152**
At 31 December 2013	**8,361**
Accumulated depreciation and impairment losses	
At 1 January 2012	1,215
Charge for the year	162
At 31 December 2012	**1,377**
Exchange differences	**10**
Charge for the year	**205**
Reclassified from property, plant and equipment (Note 4)	**72**
At 31 December 2013	**1,664**
Net carrying amount	
At 31 December 2013	**6,697**
At 31 December 2012	4,609
Remaining tenure	
At 31 December 2013	**12 - 15 years**
At 31 December 2012	13 - 16 years

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

8. LEASED ASSETS

	Machinery and equipment RM'000
Group	
Cost	
At 1 January 2012	428,775
Exchange differences	10,285
Additions	112,215
Write-offs	(362)
Disposals	(65,132)
Reclassified from property, plant and equipment (Note 4)	134
Reclassified to inventories (Note 15)	(160)
At 31 December 2012	**485,755**
Exchange differences	**9,294**
Additions	**114,111**
Disposals	**(73,585)**
Reclassified from inventories (Note 15)	**2,011**
At 31 December 2013	**537,586**
Accumulated depreciation and impairment losses	
At 1 January 2012	201,839
Exchange differences	5,272
Charge for the year	78,035
Write-offs	(362)
Disposals	(43,690)
Reversal of impairment	(200)
Reclassified from property, plant and equipment (Note 4)	110
Reclassified to inventories (Note 15)	(37)
At 31 December 2012	**240,967**
Exchange differences	**5,393**
Charge for the year	**84,168**
Disposals	**(53,583)**
Impairment losses	**1,478**
At 31 December 2013	**278,423**
Net carrying amount	
At 31 December 2013	**259,163**
At 31 December 2012	244,788

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

8. LEASED ASSETS (CONT'D.)

The future minimum lease receivable by the Group in relation to those assets that have been leased as at year end are as follows:

	2013 RM'000	2012 RM'000
Due within one year	**117,646**	109,724
Due between one and two years	**73,253**	74,383
Due between two and five years	**61,479**	65,112
Due after five years	**287**	303
	252,665	249,522

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM107,406,000 (2012: RM88,774,000).

9. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares in Malaysia, at costs	**1,598,563**	1,022,392
Deemed capital contribution	**78,145**	-
Impairment losses	**(5,000)**	(20,000)
	1,671,708	1,002,392
Employee Share Options Scheme granted to employees of the subsidiaries	**109,094**	109,094
Provision for financial guarantee	**2,505**	2,505
	1,783,307	1,113,991

Details of subsidiaries of the Company are disclosed in Note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) Subsidiaries under members' voluntary liquidation

The following subsidiaries have been placed under members' voluntary liquidation during the year:

		Date placed under liquidation	Status
(i)	UMW Deepnautic Sdn. Bhd.	29 April 2013	On-going
(ii)	UMW Pressure Control Sdn. Bhd.	5 August 2013	On-going
(iii)	UMW Deepnautic Pte. Ltd.	29 April 2013	On-going
(iv)	UMW Petrodril Siam Co. Ltd.	30 August 2013	Completed

(b) Acquisition of a non-controlling interests in a subsidiary

UMW Linepipe (L) Ltd.

On 31 January 2013, UMW Linepipe (L) Ltd. ("UMW Linepipe") a 66.12% owned subsidiary of UMW Petropipe (L) Ltd. ("UPL") which is in turn, a wholly-owned subsidiary of UMW, entered into a Share Transfer Contract with CNPC Baoji Petroleum Steel Pipe Co. Ltd. ("Baoji") for the divestment of UMW Linepipe's equity interest of 16.6% of the total registered share capital in Shanghai BSW Petro-pipe Co. Ltd. ("BSW") for a total consideration of RMB42.1 million (equivalent to RM19.9 million).

UPL also entered into a Share Sale Agreement with the non-controlling shareholder, Hailong International (L) Ltd. ("HILL") to acquire an additional 3,388 shares, representing 33.88% of the total issued and paid-up capital of UMW Linepipe increasing its effective equity interest from 66.12% to 100%. A consideration of USD6.5 million (equivalent to RM19.9 million) was paid to HILL. On 2 May 2013, all the terms and conditions of the transactions above had been fulfilled and completed. As a result of the 33.88% acquisition in UMW Linepipe, there was no change in the effective interest in BSW.

(c) Acquisition of a subsidiary

Offshore Driller 4 Ltd.

On 23 May 2013, a wholly-owned subsidiary Company of UMW-OG, UMW Rig Assets (L) Ltd. entered into a Share Purchase Agreement with S.D. Standard Drilling Plc for the acquisition of 38,502 ordinary shares of USD1.00 each, representing 100% of the total issued and paid-up share capital of Offshore Driller 4 Ltd., for a cash consideration of USD69.4 million (equivalent to approximately RM216.9 million). The acquisition of Offshore Driller 4 Ltd. has been accounted for as an asset acquisition as it is not a business combination as defined by MFRS 3: Business Combinations.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(c) Acquisition of a subsidiary (cont'd.)

Offshore Driller 4 Ltd. (cont'd.)

The costs of the identifiable assets acquired and liabilities assumed from the acquisition of the subsidiary as at the effective acquisition date were as follows:

	Costs recognised on acquisition RM'000
Property, plant and equipment, representing cost of acquisition	**216,875**

The cash outflows on acquisition is as follows:

Cost of acquisition satisfied by cash, representing net cash outflow of the Group	**216,875**

The acquisition was completed on 10 June 2013.

(d) Acquisition of a subsidiary/additional interests in subsidiaries in prior year

In prior year, the Group acquired the following additional interests in its subsidiaries:

(i) On 14 May 2012, a wholly-owned subsidiary company, UMW Corporation Sdn. Bhd., acquired 1% equity interest in UMW Petrodril Sdn. Bhd. (UPSB), for a total consideration of RM1.1 million. Upon completion of the said acquisition, UPSB became a wholly-owned subsidiary of the Group.

(ii) On 15 June 2012, a 55% owned subsidiary company, MK Automotive Industries Limited, acquired 68.7% equity interest in UMW Dongshin Motech Private Limited (UMW Dongshin) for a cash consideration of INR168.6 million (equivalent to approximately RM10.0 million). Subsequent to the additional acquisition of interests, the effective equity interests held by the Group on UMW Dongshin has increased from 33% to 37.8%.

(iii) On 26 June 2012, a wholly-owned subsidiary of the Group, UMW Drilling 4 (L) Ltd., acquired the entire equity interest of Offshore Driller B324 Ltd., for a cash consideration of USD70.0 million (equivalent to approximately RM220.6 million).

(iv) On 20 July 2012, a 51% owned subsidiary company, MK Autocomponents Limited, acquired the entire equity interest in Castwel Auto Parts Private Limited for a cash consideration of INR122.8 million (equivalent to approximately RM6.9 million).

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(d) Acquisition of a subsidiary/additional interests in subsidiaries in prior year (cont'd.)

The above acquisitions had the following effects on the Group's financial results:

	2012 RM'000
Revenue	3,403
Net loss for the year	(826)

The fair values of the identifiable assets acquired and liabilities assumed from the acquisition of the subsidiary as at the effective acquisition date were as follows:

	Fair value recognised on acquisition RM'000
Property, plant and equipment (Note 4)	220,569
Other assets and liabilities (net)	7,532
Fair value of identifiable net assets acquired	228,101
Goodwill on consolidation (Note 6(a))	10,441
Cost of acquisition	238,542

	RM'000
The cash outflows on acquisitions is as follows:	
Cost of acquisition satisfied by cash	238,542
Cash retained with the Group	(16,901)
Net cash outflow of the Group	221,641

If the above combinations took place at 1 January 2012, the Group's profit for the year and revenue would have been materially unchanged.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(e) Subsidiaries with non-controlling interest

Financial information of subsidiaries that have material non-controlling interest are provided below:

Proportion of equity interest held by non-controlling interests:

	Effective interest held by non-controlling interests 2013	2012
Name		
UMW Toyota Motor Sdn. Bhd.	**49%**	49%
UMW Oil & Gas Corporation Berhad	**44.85%**	-

	2013 RM'000	2012 RM'000
Accumulated balances of material non-controlling interests:		
UMW Toyota Motor Sdn. Bhd.	**1,345,557**	1,345,698
UMW Oil & Gas Corporation Berhad	**1,273,340**	-
Other individually immaterial subsidiaries	**23,268**	104,469
	2,642,165	1,450,167
Profit/(loss) for the year attributable to material non-controlling interests:		
UMW Toyota Motor Sdn. Bhd.	**454,957**	609,833
UMW Oil & Gas Corporation Berhad*	**21,934**	-
Other individually immaterial subsidiaries	**(45,605)**	(15,322)
	431,286	594,511
Dividends paid to non-controlling interests:		
UMW Toyota Motor Sdn. Bhd.	**454,465**	497,541

* Profit for the year attributable to the non-controlling interest is from the listing date, 1 November 2013 to 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(e) Subsidiaries with non-controlling interest (cont'd.)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of comprehensive income for 2013:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Revenue	**10,018,113**	**737,752**
Profit for the year	**928,482**	**186,795**
Total comprehensive income	**929,154**	**205,821**

Summarised consolidated statement of comprehensive income for 2012:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Revenue	11,388,787	-
Profit for the year	1,244,557	-
Total comprehensive income	1,244,596	-

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(e) Subsidiaries with non-controlling interest (cont'd.)

Summarised consolidated statement of financial position as at 31 December 2013:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Non-current assets	**967,229**	**2,264,350**
Current assets	**3,089,657**	**1,626,319**
Non-current liabilities	**(42,673)**	**(553,169)**
Current liabilities	**(1,268,179)**	**(498,392)**
Total equity	**2,746,034**	**2,839,108**
Attributable to:		
Equity holders of parent	**1,400,477**	**1,565,768**
Non-controlling interest	**1,345,557**	**1,273,340**

Summarised consolidated statement of financial position as at 31 December 2012:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Non-current assets	905,261	-
Current assets	3,195,452	-
Non-current liabilities	(56,060)	-
Current liabilities	(1,298,330)	-
Total equity	2,746,323	-
Attributable to:		
Equity holders of parent	1,400,625	-
Non-controlling interest	1,345,698	-

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(e) Subsidiaries with non-controlling interest (cont'd.)

Summarised consolidated cash flow information as at 31 December 2013:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Cash inflows from operating activities	**902,294**	**106,908**
Cash outflows from investing activities	**(135,280)**	**(1,801,743)**
Cash (outflows)/inflows from financing activities	**(929,443)**	**1,733,486**
Net (decrease)/increase in cash and cash equivalents	**(162,429)**	**38,651**

Summarised consolidated cash flow information as at 31 December 2012:

	UMW Toyota Motor Sdn. Bhd. RM'000	UMW Oil & Gas Corporation Berhad RM'000
Cash inflows from operating activities	1,238,648	-
Cash outflows from investing activities	(49,648)	-
Cash outflows from financing activities	(1,015,965)	-
Net increase in cash and cash equivalents	173,035	-

There are no comparative consolidated statement of other comprehensive income, statement of financial position and cash flow information for UMW-OG as the Group was previously wholly owned.

(f) Disposal of interest in a subsidiary that does not result in loss of control

On 1 November 2013, the listing of UMW-OG on the Bursa Securities was completed following the listing of and quotation for the entire issued and paid-up share capital of UMW-OG of 2,162,000,000 ordinary shares of RM0.50 each. Following the listing exercise, the Group's equity interest in UMW-OG reduced to 55.15%.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(f) Disposal of interest in a subsidiary that does not result in loss of control (cont'd.)

The transaction has been accounted for as an equity transaction with non-controlling interests, resulting in the following:

	RM'000
Proceeds from sale of non-controlling interest	2,715,040
Less : Expenses pursuant to the listing of UMW-OG	(55,010)
	2,660,030
Less : Dilution of interest in UMW-OG	(1,251,406)
Add : Net dilution of foreign exchange reserve	5,206
Gain on dilution of interest in UMW-OG	1,413,830

(g) Disposal of a subsidiary

On 30 August 2013, pursuant to the Internal Reorganisation as described in Note 41(b)(iv), the Company disposed UMW Malaysian Ventures Sdn. Bhd. to a related company, UMW Rig Asset (L) Ltd. for a total consideration of RM20.0 million being the cost of investment to the Company. As such, no gain or loss on disposal was recognised as at reporting date.

10. INVESTMENT IN JOINT VENTURES

	2013 RM'000	2012 (restated) RM'000
Unquoted shares, at cost	**196,781**	188,116
Compulsory convertible debentures	**91,770**	36,708
	288,551	224,824
Share of post acquisition losses	**(86,911)**	(38,200)
Share of other post acquisition reserves	**(101,482)**	(101,482)
Exchange differences	**11,225**	(8,962)
	111,383	76,180
Less: Accumulated impairment losses	**(53,474)**	-
Carrying amount of investment	**57,909**	76,180

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore these entities are classified as joint ventures of the Group.

The compulsory convertible debentures ("CCD") carries a coupon rate not exceeding 6-months USD Libor + 8.6% per annum, equivalent to 8.9% per annum (2012: Nil per annum).

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

10. INVESTMENT IN JOINT VENTURES (CONT'D.)

No quoted market prices are available for the shares of the Group's joint ventures as these companies are private companies.

As none of the Group's joint ventures are individually material to the Group, the summarised financial information for the aggregated assets, liabilities and results of the joint ventures are as follows:

Summarised statement of financial position:

	2013 RM'000	2012 (restated) RM'000
Cash and cash equivalents	**12,401**	5,602
Other current assets	**211,658**	236,326
Non-current assets	**498,728**	535,764
Current liabilities	**(647,892)**	(550,904)
Non-current liabilities	**(259,215)**	(288,343)
	(184,320)	(61,555)

Summarised statement of comprehensive income:

	2013 RM'000	2012 (restated) RM'000
Loss for the year	**(142,553)**	(48,932)
Other comprehensive income	**30,414**	1,654
Total comprehensive expense	**(114,661)**	(47,278)
Group's share of loss for the year	**(48,711)**	(38,205)
Group's share of other comprehensive income	**10,868**	887
Group's share of total comprehensive expense	**(38,598)**	(37,316)

The joint ventures have RM38.5 million (2012: RM10.1 million) of contingent liabilities as at 31 December 2013 and 2012.

Details of the joint ventures are disclosed in Note 39.

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

11. INVESTMENT IN ASSOCIATES

	2013 RM'000	2012 (restated) RM'000
Quoted shares, at cost	**114,318**	114,318
Unquoted shares, at cost	**370,916**	381,090
Financial guarantee	**18,677**	14,390
	503,911	509,798
Share of changes recognised directly in associate's equity	**118,438**	118,438
Share of post acquisition reserves	**1,075,506**	963,918
	1,697,855	1,592,154
Less: Accumulated impairment losses	**(1,820)**	(37,426)
Carrying amount of investment	**1,696,035**	1,554,728
Fair value of investment in an associate for which there is published price quotation	**41,088**	23,175

The Group had reversed impairment losses amounting to RM35.6 million (2012: RM66.2 million) and provided for impairment losses of RM Nil (2012: RM1.5 million), based on the recoverable amount determined for the cash generating unit to which the investment belongs to.

During the financial year, the Group disposed shares in an associate as disclosed in Note 9(b) to the financial statements.

Proportion of material ownership interest held by entity:

Name	Effective interest 2013	2012
Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	**38%**	38%

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

11. INVESTMENT IN ASSOCIATES (CONT'D.)

Summarised financial information in respect of the Group's material associates is set out below:

	2013			2012		
	Perodua RM'000	Other individually immaterial associates RM'000	Total RM'000	Perodua RM'000	Other individually immaterial associates RM'000	Total RM'000
Summarised statements of financial position:						
Assets and liabilities						
Current assets	**2,020,285**	**7,989,244**	**10,009,529**	1,829,274	7,675,480	9,504,754
Non-current assets	**2,163,207**	**2,776,328**	**4,939,535**	1,836,969	2,620,965	4,457,934
Total assets	**4,183,492**	**10,765,572**	**14,949,064**	3,666,243	10,296,445	13,962,688
Current liabilities	**1,026,584**	**5,003,256**	**6,029,840**	899,253	4,951,979	5,851,232
Non-current liabilities	**104,741**	**4,263,834**	**4,368,575**	-	3,826,722	3,826,722
Total liabilities	**1,131,325**	**9,267,090**	**10,398,415**	899,253	8,778,701	9,677,954
Net assets	**3,052,167**	**1,498,482**	**4,550,649**	2,766,990	1,517,744	4,284,734
Reconciliation of net assets to carrying amount as at 31 December:						
Goodwill	**-**	**41,942**	**41,942**	-	41,942	41,942
Group's share of net assets	**1,159,823**	**494,270**	**1,654,093**	1,051,456	461,330	1,512,786
Group's carrying amount of interest in associates	**1,159,823**	**536,212**	**1,696,035**	1,051,456	503,272	1,554,728

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

11. INVESTMENT IN ASSOCIATES (CONT'D.)

	2013			2012		
	Perodua RM'000	Other individually immaterial associates RM'000	Total RM'000	Perodua RM'000	Other individually immaterial associates RM'000	Total RM'000
Summarised statements of comprehensive income:						
Results						
Revenue	**8,665,293**	**3,845,765**	**12,511,058**	8,707,998	3,750,994	12,458,992
Profit/(loss) for the year	**521,954**	**(26,968)**	**494,986**	459,390	(124,651)	334,739
Other comprehensive income/ (expense)	**4,443**	**57,720**	**62,163**	(4,295)	(5,167)	(9,462)
Total comprehensive income/ (expense)	**526,397**	**30,752**	**557,149**	455,095	(129,818)	325,277
Dividends received	**91,664**	**25,330**	**116,994**	74,799	5,222	80,021
Group's share of profit/(loss) for the year	**198,343**	**7,905**	**206,248**	174,568	(10,207)	164,361

The associates have RM140,848,390 (2012: RM147,204,890) of contingent liabilities as at 31 December 2013 and 2012.

The Group's interest in capital commitments of the associates are as follows:

	2013 RM'000	2012 RM'000
- Approved and contracted for	**100,464**	22,051
- Approved and not contracted for	**32,300**	41,032

For the purpose of applying the equity method of accounting, the audited financial statements and management accounts for the 12-month period ended 31 December 2013 of these companies have been used.

Details of the associates are disclosed in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

12. DEFERRED TAXATION

	Group 2013 RM'000	Group 2012 RM'000
At 1 January	**(21,872)**	(22,481)
Recognised in the profit or loss (Note 32)	**(6,690)**	1,368
Disposal of subsidiaries	**18**	(573)
Exchange differences	**1,079**	(186)
At 31 December	**(27,465)**	(21,872)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(57,576)**	(50,631)
Deferred tax liabilities	**30,111**	28,759
	(27,465)	(21,872)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2013	**45,833**	**782**	**46,615**
Recognised in profit or loss	**(3,184)**	**46**	**(3,138)**
Disposal of a subsidiary	**(5)**	**-**	**(5)**
Exchange differences	**1,242**	**223**	**1,465**
At 31 December 2013	**43,886**	**1,051**	**44,937**
At 1 January 2012	51,973	329	52,302
Recognised in profit or loss	(5,144)	149	(4,995)
Disposal of a subsidiary	(1,334)	220	(1,114)
Exchange differences	338	84	422
At 31 December 2012	45,833	782	46,615

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

12. DEFERRED TAXATION (CONT'D.)

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Provision for liabilities RM'000	Unabsorbed losses RM'000	Others RM'000	Total RM'000
At 1 January 2013	**(1,124)**	**(37,972)**	**(10,913)**	**(18,478)**	**(68,487)**
Recognised in profit or loss	**1,357**	**(5,464)**	**(2,334)**	**2,889**	**(3,552)**
Disposal of a subsidiary	**-**	**-**	**-**	**23**	**23**
Exchange differences	**(248)**	**369**	**(638)**	**131**	**(386)**
At 31 December 2013	**(15)**	**(43,067)**	**(13,885)**	**(15,435)**	**(72,402)**
At 1 January 2012	(1,459)	(39,269)	(10,760)	(23,295)	(74,783)
Recognised in profit or loss	141	1,912	(626)	4,936	6,363
Disposal of a subsidiary	198	-	343	-	541
Exchange differences	(4)	(615)	130	(119)	(608)
At 31 December 2012	(1,124)	(37,972)	(10,913)	(18,478)	(68,487)

The availability of the unabsorbed tax losses and unutilised capital and reinvestment allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the subsidiaries operate.

Deferred tax assets have not been recognised in respect of these items:

	Group 2013 RM'000	Group 2012 RM'000
Unabsorbed tax losses	**573,927**	541,852
Unutilised capital and reinvestment allowances	**115,051**	111,423
	688,978	653,275

Deferred tax assets have not been recognised in respect of these items as there is no probable expectation that future taxable income of the applicable group companies will be sufficient to allow the benefit to be realised.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

13. OTHER INVESTMENTS

	2013		2012	
	Carrying amount RM'000	Market value RM'000	Carrying amount RM'000	Market value RM'000
Group				
Current				
Held for trading investments				
Investment in cash funds	**2,331,470**	**2,331,470**	489,881	489,881
Non-current				
Available-for-sale financial assets				
Unquoted shares outside Malaysia, at cost	**95**	**-**	95	-
Unquoted shares within Malaysia, at cost	**28,889**	**-**	5,039	-
	28,984	**-**	5,134	-
Less: Accumulated impairment losses	**(660)**	**-**	(626)	-
	28,324	**-**	4,508	-
Held for trading investments				
Quoted shares outside Malaysia	**12,604**	**12,604**	39,292	39,292
Held-to-maturity investment				
Investment in mutual funds	**1,000**	**1,000**	1,000	1,000
Total non-current other investments	**41,928**	**13,604**	44,800	40,292
Company				
Current				
Held for trading investments				
Investment in cash funds	**1,029,249**	**1,029,249**	21,621	21,621
Non-current				
Available-for-sale financial assets				
Unquoted shares within Malaysia	**23,850**	**-**	-	-

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

14. DERIVATIVES

	Note	2013 Assets RM'000	2013 Liabilities RM'000	2012 (restated) Assets RM'000	2012 (restated) Liabilities RM'000
Group					
Current					
Forward currency contracts	(a)	**260**	**106**	134	7,046
Embedded derivatives	(e)	**-**	**10,512**	1,462	-
Interest rate swaps	(b)	**111**	**77**	-	-
Cross currency swaps	(c)	**-**	**6,392**	-	-
		371	**17,087**	1,596	7,046
Non-current					
Forward currency contracts	(a)	**2,770**	**14,501**	1,274	192
Interest rate swaps	(b)	**-**	**7,399**	-	14,340
Cross currency swaps	(c)	**-**	**1,863**	-	498
Cross currency interest rate swaps	(d)	**4,462**	**53,906**	64,620	2,259
		7,232	**77,669**	65,894	17,289

	Note	2013 Assets RM'000	2013 Liabilities RM'000	2012 Assets RM'000	2012 Liabilities RM'000
Company					
Non-current					
Forward currency contracts	(a)	**-**	**14,501**	-	-
Interest rate swaps	(b)	**-**	**5,487**	-	10,442
Cross currency interest rate swaps	(d)	**-**	**53,906**	64,620	290
		-	**73,894**	64,620	10,732

The Group and the Company uses forward currency contracts, interest rate swaps, cross currency swaps and cross currency interest rate swaps to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

14. DERIVATIVES (CONT'D.)

Forward currency contracts are used to hedge the Group's current and future sales and purchases denominated in foreign currencies for which firm commitments existed at the reporting date.

(a) Forward exchange contracts

	2013 RM'000	2012 RM'000
Notional amounts		
Japanese Yen	**99,250**	136,375
United States Dollar	**884,027**	497,038
Euro	**18,248**	17,319
Swedish Krona	**-**	3,658
Thai Baht	**9,368**	4,451

(b) Interest rate swaps

Notional USD'000		Maturity
For the financial year 2013:		
119,734	The Group: (i) Pays fixed interest rate within the range of 2.06% to 9.55% per annum in exchange for receiving LIBOR plus spread on the notional principal amount; and (ii) Receives fixed interest rate of 4.60% per annum in exchange for paying KLIBOR plus spread on the notional principal amount	31-Jul-14 to 28-Jun-17
For the financial year 2012:		
201,952	The Group: (i) Pays fixed interest rate within the range of 2.06% to 9.55% per annum in exchange for receiving LIBOR plus spread on the notional principal amount	31-Jul-14 to 13-Jul-17

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

14. DERIVATIVES (CONT'D.)

(c) Cross currency swaps

Notional USD'000		Maturity
For the financial year 2013:		
5,500	The Group: (i) Receives KLIBOR plus spread in exchange for paying LIBOR plus spread per annum on the notional principal amount; and (ii) Receives RM in exchange for USD at a predetermined rate of RM3.02 to USD1.00 according to the scheduled principal and interest repayment	28-Sep-16
For the financial year 2012:		
5,500	The Group: (i) Receives KLIBOR plus spread in exchange for paying LIBOR plus spread per annum on the notional principal amount; and (ii) Receives RM in exchange for USD at a predetermined rate of RM3.02 to USD1.00 according to the scheduled principal and interest repayment	28-Sep-16

(d) Cross currency interest rate swaps

Notional USD'000		Maturity
For the financial year 2013:		
234,853	The Group: (i) Pays fixed interest rate of 5.25% per annum in exchange for receiving KLIBOR plus spread on the notional principal amount; (ii) Pays fixed USD interest rate within the range of 2.28% to 4.25% in exchange for receiving fixed RM interest rate within the range of 3.78% to 4.40% per annum on the notional principal amount; (iii) Receives fixed interest rate within the range of 3.51% to 4.03% per annum in exchange for paying LIBOR plus spread on the notional principal amount; and (iv) Receives RM in exchange for paying USD at a predetermined rate within the range of RM3.03 to RM3.21 to USD1.00 according to the scheduled principal and interest repayment	25-Mar-14 to 16-Feb-18

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

14. DERIVATIVES (CONT'D.)

(d) Cross currency interest rate swaps (cont'd.)

Notional USD'000		Maturity
For the financial year 2012:		
213,145	The Group: (i) Pays fixed interest rate of 5.25% per annum in exchange for receiving KLIBOR plus spread on the notional principal amount; (ii) Pays fixed USD interest rate of 4.25% in exchange for receiving fixed RM interest rate of 4.40% per annum on the notional principal amount; (iii) Receives fixed interest rate within the range of 4.03% to 4.55% per annum in exchange for paying LIBOR plus spread on the notional principal amount; and (iv) Receives RM in exchange for paying USD at a predetermined rate within the range of RM3.03 to RM3.49 to USD1.00 according to the scheduled principal and interest repayment	25-Mar-14 to 26-Aug-16

(e) Embedded derivatives

The Group entered into purchase contracts with suppliers in Asia Pacific and Japan. The purchase price in these contracts are denominated in USD and subject to periodic price review. These contracts contain embedded foreign exchange derivatives with notional amounts of RM726,348,000 (2012: RM730,460,000) which have been separated and carried at fair value through profit or loss. Derivatives are neither past due nor impaired and are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

During the financial year, the Group recognised a net loss of RM103,151,000 (2012: net gain of RM6,643,000) and the Company recognised a net loss of RM100,592,000 (2012: net gain of RM10,059,000), arising from fair value changes of derivative assets/liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

15. INVENTORIES

	Group	
	2013	2012 (restated)
	RM'000	RM'000
At cost:		
Equipment, unassembled and completed vehicles, attachments and spares	**1,378,447**	1,400,912
Properties held for sale	**74,489**	74,489
Other finished goods	**121,073**	100,651
Work-in-progress	**19,844**	27,004
Raw materials and consumables	**133,901**	137,134
	1,727,754	1,740,190
At net realisable value:		
Equipment, unassembled and completed vehicles, attachments and spares	**25,098**	27,512
Other finished goods	**908**	580
Raw materials and consumables	**407**	536
	26,413	28,628
	1,754,167	1,768,818

During the financial year, there was a reversal of write down of inventories of RM20.1 million (2012: RM9.6 million).

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM10.2 billion (2012: RM11.6 billion).

Inventories of RM150.9 million (2012: RM116.2 million) have been pledged to banks as security for facilities granted to overseas subsidiaries.

Included in the inventories are assets transferred during the year from the following:

	Group	
	2013	2012
	RM'000	RM'000
Investment properties (Note 5)	**-**	74,489
Leased assets (Note 8)	**2,011**	123

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

16. RECEIVABLES

The receivables of the Group and the Company are as follows:

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current:				
Trade receivables	**1,508,983**	1,219,794	**-**	-
Other receivables	**346,082**	312,955	**1,238**	63,649
Due from subsidiaries	**-**	-	**90,919**	290,974
	1,855,065	1,532,749	**92,157**	354,623
Non-current:				
Trade receivables	**8,614**	4,707	**-**	-
Due from subsidiaries	**-**	-	**173,886**	943,645
	8,614	4,707	**173,886**	943,645
Trade receivables (Note a)	**1,517,597**	1,224,501	**-**	-
Other receivables (Note b)	**346,082**	312,955	**1,238**	63,649
Due from subsidiaries (Note c)	**-**	-	**264,805**	1,234,619
Total trade and other receivables	**1,863,679**	1,537,456	**266,043**	1,298,268
Total trade and other receivables (current and non-current)	**1,863,679**	1,537,456	**266,043**	1,298,268
Less: Included within other receivables:				
Accrued income (Note b)	**(38,737)**	(25,432)	**(614)**	(41)
Prepayments (Note b)	**(22,099)**	(21,280)	**(619)**	(63,603)
Add: Cash and bank balances (Note 17)	**2,557,694**	2,492,581	**79,044**	68,129
Total loans and receivables	**4,360,537**	3,983,325	**343,854**	1,302,753

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

16. RECEIVABLES (CONT'D.)

(a) Trade receivables

	Group	
	2013	2012 (restated)
	RM'000	RM'000
Third parties (Note (i))	**1,248,141**	1,118,147
Allowance for impairment	**(38,539)**	(39,184)
	1,209,602	1,078,963
Due from associates and joint ventures	**272,761**	109,856
Due from a corporate shareholder of a subsidiary	**35,234**	35,682
	1,517,597	1,224,501

Note (i)

Included in trade receivables is finance lease receivables of RM20,781,000 (2012: RM7,890,000).

	Group	
	2013	2012
	RM'000	RM'000
Future minimum lease receivables		
Not later than 1 year	**13,890**	4,296
Later than 1 year and not later than 2 years	**7,229**	4,281
Later than 2 years and not later than 5 years	**1,942**	979
	23,061	9,556
Less : Future finance income	**(2,280)**	(1,666)
	20,781	7,890
Analysis of present value of lease receivables		
Not later than 1 year	**12,167**	3,183
Later than 1 year and not later than 2 years	**6,734**	4,704
Later than 2 years and not later than 5 years	**1,880**	3
	20,781	7,890
Less : Amount due within 12 months	**(12,167)**	(3,183)
Amount due after 12 months	**8,614**	4,707

The Group's normal trade credit terms range from 1 day to 120 days (2012: 1 day to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables (other than lease receivables) are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

16. RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

The amount due from associates and due from a corporate shareholder of a subsidiary are trade in nature, unsecured, interest-free and have repayment terms of 30 days to 60 days (2012: 30 days to 60 days).

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to a single group of debtors.

	2013 RM'000	2012 (restated) RM'000
(i) Age analysis of trade receivables		
(a) Not due and not impaired	**1,196,944**	823,213
(b) Overdue but not impaired:		
1 - 30 days overdue but not impaired	**122,485**	175,658
31 - 60 days overdue but not impaired	**80,656**	101,830
61 - 90 days overdue but not impaired	**63,630**	45,689
91 - 120 days overdue but not impaired	**13,469**	16,205
121 - 150 days overdue but not impaired	**5,710**	6,812
151 - 180 days overdue but not impaired	**1,720**	5,363
More than 180 days overdue but not impaired	**31,668**	44,961
	319,338	396,518
(c) Impaired	**39,854**	43,954
Total trade receivables	**1,556,136**	1,263,685

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Collaterals and other credit enhancements are as follows:

Trade receivables of RM8.5 million (2012: RM11.5 million) are secured by bank guarantee of RM7.5 million (2012: RM7.3 million).

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

16. RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

(ii) Receivables that are impaired

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
2013			
Trade receivables	**30,592**	**9,262**	**39,854**
Less: Allowance for impairment	**(30,460)**	**(8,079)**	**(38,539)**
	132	**1,183**	**1,315**
2012 (restated)			
Trade receivables	37,849	6,105	43,954
Less: Allowance for impairment	(33,204)	(5,980)	(39,184)
	4,645	125	4,770
Movement in allowance for impairment:			
At 1 January 2013 (restated)	**33,204**	**5,980**	**39,184**
Charge for the year	**3,401**	**2,281**	**5,682**
Utilised	**(783)**	**(12)**	**(795)**
Reversal of impairment loss	**(9,495)**	**(17)**	**(9,512)**
Exchange differences	**4,133**	**(153)**	**3,980**
At 31 December 2013	**30,460**	**8,079**	**38,539**
At 1 January 2012 (restated)	28,830	5,897	34,727
Charge for the year	7,696	725	8,421
Utilised	(2,864)	(233)	(3,097)
Reversal of impairment loss	(1,034)	(420)	(1,454)
Exchange differences	576	11	587
At 31 December 2012	33,204	5,980	39,184

Trade receivables that are individually determined to be impaired at the reporting date relates to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or bank guarantees.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

16. RECEIVABLES (CONT'D.)

(b) Other receivables

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Accrued income	**38,737**	25,432	**614**	41
Deposits	**59,741**	103,047	**5**	5
Prepayments	**22,099**	21,280	**619**	63,603
Amounts due from joint ventures	**162,873**	88,115	**-**	-
Sundry receivables	**155,615**	86,034	**-**	-
	439,065	323,908	**1,238**	63,649
Allowance for impairment	**(92,983)**	(10,953)	**-**	-
	346,082	312,955	**1,238**	63,649

	Individually impaired 2013 RM'000	Individually impaired 2012 (restated) RM'000
Movement in allowance for impairment:		
At 1 January	**10,953**	13,190
Charge for the year	**91,625**	29
Reversal of impairment loss	**(8,715)**	(2,266)
Utilised	**(889)**	-
Exchange differences	**9**	-
At 31 December	**92,983**	10,953

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

16. RECEIVABLES (CONT'D.)

(c) Due from subsidiaries

The amounts due from subsidiaries are unsecured, bear interest ranging from 3.1% - 6.0% (2012: 3.2% - 6.0%) per annum and are repayable within 5 years.

Receivables of the Group amounting to RM79,090,000 (2012: RM145,353,000) are pledged to banks for credit facilities granted to overseas subsidiaries (Note 22).

17. DEPOSITS, CASH AND BANK BALANCES

	2013 RM'000	2012 (restated) RM'000
Group		
Cash and bank balances	**518,339**	451,083
Deposits with licensed banks	**2,039,355**	2,041,498
Deposits, cash and bank balances	**2,557,694**	2,492,581

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	2013 RM'000	2012 (restated) RM'000
Deposits, cash and bank balances	**2,557,694**	2,492,581
Less: Deposits pledged with banks	**(2,000)**	(457)
Less: Bank overdrafts (Note 24)	**(75,127)**	(59,744)
Cash and cash equivalents	**2,480,567**	2,432,380

Deposits with licensed banks and bank balances of the Group amounting to RM2,000,386 (2012: RM457,000) are pledged to banks for credit facilities granted to overseas subsidiaries (Note 22) which are not immediately available for use in the business.

	2013 RM'000	2012 RM'000
Company		
Cash and bank balances	**68,839**	68,129
Deposits with licensed banks	**10,205**	-
	79,044	68,129

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

17. DEPOSITS, CASH AND BANK BALANCES (CONT'D.)

The range of interest rates of deposits at the reporting date were as follows:

	Group		Company	
	2013	2012	2013	2012
	%	%	%	%
Deposits with licensed banks	**0.04 - 9.00**	0.05 - 10.00	**0.22 - 0.52**	-

The range of maturities of deposits as at the reporting date were as follows:

	Range of maturities			
	Group		Company	
	2013	2012	2013	2012
	Days	Days	Days	Days
Deposits with licensed banks	**7 - 148**	2 - 240	**7 - 31**	-

18. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale comprise:

	Group	
	2013	2012
	RM'000	RM'000
Long-term leasehold land	**2,442**	11,462
Freehold building	**-**	900
Investment in an associate company	**-**	140
	2,442	12,502

On 19 December 2013, UMW Corporation Sdn. Bhd., a wholly-owned subsidiary entered into a Sales and Purchase Agreement with Perodua Sales Sdn. Bhd. ("PSSB"), a wholly-owned subsidiary of Perodua for the disposal of leasehold land to PSSB for a total cash consideration of RM49.1 million. The sale of leasehold land has not been completed as at the reporting date.

In the previous financial year, non-current assets held for sale represents freehold building, long-term leasehold land and investment in an associated company, Multicoat Surfaces Private Limited with a total carrying value of RM12.5 million. The sale of these three assets were completed in 2013.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

19. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Group/Company				
(a) Authorised:				
At 1 January/31 December	**2,000,000**	2,000,000	**1,000,000**	1,000,000
(b) Issued and fully paid:				
At 1 January/31 December	**1,168,294**	1,168,294	**584,147**	584,147

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

20. RESERVE

(i) Hedging reserve

The hedging reserve relates to cash flow hedge reserve of an associate company. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions of an associate.

(ii) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

21. PROVISION FOR LIABILITIES

	Retirement benefits RM'000	Warranties RM'000	Total RM'000
Group			
At 1 January 2012	4,581	143,764	148,345
Charged to profit or loss	(3,825)	1,276	(2,549)
Utilised during the year	(3,150)	(11,954)	(15,104)
Reversed during the year	-	(1,973)	(1,973)
Exchange differences	(15)	279	264
At 31 December 2012	**(2,409)**	**131,392**	**128,983**
Charged to profit or loss	**2,820**	**6,807**	**9,627**
Utilised during the year	**(506)**	**(9,677)**	**(10,183)**
Reversed during the year	**-**	**(26,898)**	**(26,898)**
Exchange differences	**(11)**	**(767)**	**(778)**
At 31 December 2013	**(106)**	**100,857**	**100,751**
At 31 December 2013			
Current	**(2,113)**	**58,184**	**56,071**
Non-current:			
Later than 1 year but not later than 2 years	**106**	**21,753**	**21,859**
Later than 2 years but not later than 5 years	**453**	**20,920**	**21,373**
Later than 5 years	**1,448**	**-**	**1,448**
	2,007	**42,673**	**44,680**
	(106)	**100,857**	**100,751**
At 31 December 2012			
Current	(4,331)	75,332	71,001
Non-current:			
Later than 1 year but not later than 2 years	101	27,190	27,291
Later than 2 years but not later than 5 years	434	28,870	29,304
Later than 5 years	1,387	-	1,387
	1,922	56,060	57,982
	(2,409)	131,392	128,983

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

21. PROVISION FOR LIABILITIES (CONT'D.)

(a) Retirement benefit obligations

The Group operates funded, defined benefit plans (the Plans) for its eligible employees. Contributions to the Plans are separately administered from the Group's funds. Under the Plans, eligible employees are entitled to retirement benefits after serving the Group for a period of not less than 5 years.

The amounts recognised in the financial position are determined as follows:

	Group 2013 RM'000	Group 2012 RM'000
Present value of funded defined contribution obligations	**25,733**	23,345
Fair value of plan assets	**(25,839)**	(25,754)
Obligations representing net assets	**(106)**	(2,409)

The amounts recognised as operating expenses in the statement of comprehensive income are as follows:

	Group 2013 RM'000	Group 2012 RM'000
Service costs	**2,252**	2,745
Interest cost	**740**	1,128
Expected return on plan assets	**(172)**	(1,128)
Net actuarial loss recognised during the year	**-**	(6,570)
Total (included in staff costs) (Note 28)	**2,820**	(3,825)

The actual return on the plan assets of the Group was RM603,359 (2012: RM1,069,062).

Principal actuarial assumptions used:

	2013 %	2012 %
Discount rate	**5.7**	5.7
Expected return on plan assets	**4.8**	4.8
Expected rate of salary increase	**4.0 - 12.0**	4.0 - 12.0

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

21. PROVISION FOR LIABILITIES (CONT'D.)

(b) Warranties

The Group estimates 6 month to 3 year warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised for expected warranty claims on products sold during the last 6 months to 3 years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred between 1 year to 3 years from the reporting date. Assumptions used to calculate the provision for warranties were based on sales levels and current information available about repairs and returns during warranty periods for all products sold.

22. LONG TERM BORROWINGS

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Secured				
Term loan	**149,092**	164,686	**-**	-
Less: Amount payable within one year (Note 24)	**(54,494)**	(53,852)	**-**	-
	94,598	110,834	**-**	-
Unsecured				
Sukuk	**739,770**	799,595	**739,770**	799,595
Term loans	**904,972**	935,174	**-**	-
	1,644,742	1,734,769	**739,770**	799,595
Less: Amount payable within one year (Note 24)	**(216,346)**	(213,621)	**-**	-
	1,428,396	1,521,148	**739,770**	799,595
Finance lease payable (Note 23)	**1,183**	1,957	**-**	-
	1,183	1,957	**-**	-
Total long term borrowings	**1,524,177**	1,633,939	**739,770**	799,595

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

22. LONG TERM BORROWINGS (CONT'D.)

The maturity and exposure to interest rate risk of the total borrowings (excluding finance lease payable) are as follows:

	RWAEIR* %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
Group						
31 December 2013						
Secured						
- Floating rate	**4.0 - 13.0**	**54,494**	**40,135**	**54,463**	**-**	**149,092**
Unsecured						
- Floating rate	**0.9 - 4.5**	**216,346**	**645,957**	**38,749**	**-**	**901,052**
- Fixed rate	**3.1 - 7.4**	**-**	**109,966**	**629,804**	**3,920**	**743,690**
		216,346	**755,923**	**668,553**	**3,920**	**1,644,742**
		270,840	**796,058**	**723,016**	**3,920**	**1,793,834**
31 December 2012 (restated)						
Secured						
- Floating rate	2.0 - 6.0	53,852	92,012	18,822	-	164,686
Unsecured						
- Floating rate	1.0 - 6.6	213,621	213,011	465,572	39,050	931,254
- Fixed rate	3.1 - 4.6	-	499,817	299,778	3,920	803,515
		213,621	712,828	765,350	42,970	1,734,769
		267,473	804,840	784,172	42,970	1,899,455

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

22. LONG TERM BORROWINGS (CONT'D.)

The maturity and exposure to interest rate risk of the borrowings are as follows:

	RWAEIR* %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
Company						
31 December 2013						
Unsecured						
- Fixed rate	**3.9 - 4.0**	**-**	**109,966**	**629,804**	**-**	**739,770**
31 December 2012						
Unsecured						
- Fixed rate	3.1 - 4.6	-	499,817	299,778	-	799,595

* Range of Weighted Average Effective Interest Rate ("RWAEIR")

The secured long term borrowings of the Group for the financial years 2013 and 2012 were secured by legal charge, fixed and floating charge over assets of certain subsidiaries and corporate guarantee of certain foreign subsidiaries and directors' personal guarantee of a subsidiary.

In the financial year 2009, the Company obtained the approval from the Securities Commission for the issuance of Islamic Commercial Papers/Islamic Medium Term Notes (ICP/IMTN) and Islamic Medium Term Notes (IMTN) under the Shariah Principles of Musharakah. The programmes comprise the issuance of ICP, IMTN1 and IMTN2 (collectively known as Sukuk) under two stand-alone programmes:

(i) Up to RM300 million in nominal value ICP/IMTN Programme (ICP/IMTN1) with tenure of up to 7 years from the date of the first issuance; and

(ii) Up to RM500 million in nominal value IMTN Programme (IMTN2) with tenure of up to 10 years from the date of the first issuance.

The Company has utilised the IMTN2 (RM500 million) in September 2009, whilst IMTN1 (RM300 million) was utilised in October 2010 (RM110 million) and June 2012 (RM190 million). Both Sukuk were on a 5 year tenure.

On 21 December 2012, the Company received an approval from the Securities Commission for the issuance of an Islamic Medium Term Notes Programme ("IMTN New Sukuk Issuance") of up to RM2 billion in nominal value based on the Islamic Principle of Musharakah ("Sukuk"). The tenure of the Sukuk shall be more than 1 year but not exceeding 15 years from issue date provided that the maturity date of the Sukuk shall not extend beyond the tenure of the Sukuk Musharakah Programme.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

22. LONG TERM BORROWINGS (CONT'D.)

On 8 February 2013, the Company completed the first issuance of Islamic Medium Term Notes ("IMTN") with a nominal value of RM440 million under the IMTN New Sukuk Issuance Programme. The IMTN has a tenure of 3 years.

On 9 May 2013, the Company completed the second issuance of IMTN with a nominal value of RM500 million under the IMTN New Sukuk Issuance Programme.

The IMTN New Sukuk Issuance programme was undertaken by the Company to allow for the swap of the outstanding IMTN2 of RM500 million into the recently established IMTN Programme (this exercise will be referred to as the "Sukuk Swap Exercise"). The Sukuk Swap Exercise was done on a no cash basis and will have the same maturity date and profit rate of the outstanding IMTN2.

On 18 December 2013, the Company had successfully completed the early redemption of its second issuance of IMTN with a nominal value of RM500 million.

23. FINANCE LEASE PAYABLES

	Group	
	2013	2012
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	**1,003**	1,659
Later than 1 year and not later than 2 years	**816**	925
Later than 2 years and not later than 5 years	**493**	1,259
Later than 5 years	**-**	20
	2,312	3,863
Less: Future finance charges	**(259)**	(429)
Present value of finance lease liability	**2,053**	3,434
Present value of finance lease liability:		
Not later than 1 year	**870**	1,477
Later than 1 year and not later than 2 years	**766**	788
Later than 2 years and not later than 5 years	**417**	1,151
Later than 5 years	**-**	18
	2,053	3,434
Analysed as:		
Due within 12 months (Note 24)	**870**	1,477
Due after 12 months (Note 22)	**1,183**	1,957
	2,053	3,434

The interest rate at the reporting date for the lease liabilities ranges from 1.88% to 14.22% (2012: 1.88% to 14.22%).

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

24. SHORT TERM BORROWINGS

	Group 2013 RM'000	Group 2012 (restated) RM'000
Secured		
Short term loan	**17,212**	29,337
Bankers' acceptances and revolving credits	**12,372**	11,599
Finance lease payables (Note 23)	**870**	1,477
Bank overdrafts	**37,732**	23,905
Long term loans payable within one year (Note 22)	**54,494**	53,852
	122,680	120,170
Unsecured		
Short term loan	**257,227**	253,395
Bankers' acceptances and revolving credits	**705,031**	450,649
Trust receipts	**125,646**	-
Bank overdrafts	**37,395**	35,839
Long term loans payable within one year (Note 22)	**216,346**	213,621
	1,341,645	953,504
Total short term borrowings	**1,464,325**	1,073,674

The secured short term borrowings of the Group are secured by legal charge, fixed and floating charge over assets of certain subsidiaries, corporate guarantee and lien on fixed deposits.

The range of weighted average effective interest rates at the reporting date for borrowings, excluding finance lease payables, were as follows:

	Group 2013 %	Group 2012 %
Short term loan	**3.3 - 7.0**	0.8 - 9.6
Bank overdrafts	**6.0 - 16.5**	6.9 - 14.0
Trust receipts	**1.8 - 7.1**	-
Bankers' acceptances	**2.2 - 4.0**	3.3 - 3.6
Revolving credits	**1.2 - 4.0**	1.3 - 14.8

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

25. PAYABLES

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade payables:				
Trade payables	**818,943**	695,416	**-**	-
Bill payables	**11,361**	14,337	**-**	-
Sales tax accruals	**89,190**	78,316	**-**	-
Customer deposits	**53,631**	76,901	**-**	-
Related parties	**379,189**	315,757	**-**	-
Other payables:				
Accruals	**454,248**	579,913	**12,754**	6,152
Provision for unutilised leave	**14,307**	10,845	**-**	-
Financial guarantees	**3,446**	5,718	**-**	501
Sundry payables	**245,807**	264,669	**630**	293
	2,070,122	2,041,872	**13,384**	6,946
Total trade and other payables (exclude provisions)	**2,055,815**	2,031,027	**13,384**	6,946
Add: Long term borrowings (Note 22)	**1,524,177**	1,633,939	**739,770**	799,595
Short term borrowings (Note 24)	**1,464,325**	1,073,674	**-**	-
Less: Finance lease payables (Note 23)	**(2,053)**	(3,434)	**-**	-
Total financial liabilities carried at amortised costs	**5,042,264**	4,735,206	**753,154**	806,541

The related parties balances comprise of amounts due to corporate shareholders of subsidiaries and/or their subsidiaries for purchase of inventories. The corporate shareholders are Toyota Motor Corporation, Japan and Toyota Tsusho Corporation, Japan and/or their subsidiaries and associated companies.

Included in the previous financial year in sundry payables is an amount of RM30,955,000 being purchase considerations retained in respect of acquisitions of equity interest in certain subsidiaries, which was payable to the vendors upon achievement of guaranteed profits. As the profit guarantee have lapsed and the guaranteed profits were not achieved, the contingent consideration was forfeited during the year as disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

25. PAYABLES (CONT'D.)

Financial guarantees relate to corporate guarantee and financial indemnity provided by the Group and by the Company in respect of facilities taken by joint ventures and associated companies.

Trade creditors are non-interest bearing and are normally settled within 1 day to 90 days (2012: 1 day to 90 days) terms.

Sundry payables are non-interest bearing and are normally settled within 30 days to 365 days (2012: 30 days to 365 days) terms.

26. REVENUE

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Gross dividend income from subsidiaries	**-**	-	**543,788**	539,018
Sales of goods and services	**13,268,906**	15,154,780	**-**	-
Drilling and workover services	**678,720**	659,614	**-**	-
Rental income from investment properties	**3,834**	2,494	**-**	-
	13,951,460	15,816,888	**543,788**	539,018

27. OTHER OPERATING INCOME

Included in other operating income are:

	2013	2012 (restated)
	RM'000	RM'000
Group		
Net fair value gains on financial assets held for trading	**1,023**	28,599
Net fair value gains on derivatives	**-**	6,643
Gain on disposal of property, plant and equipment, leased assets and investment properties	**76,474**	52,390
Net gain on disposal of investments	**4,977**	6,554
Net realised foreign exchange gains	**109,292**	8,799
Bad debts recovered	**303**	199
Rental income from operating leases	**2,635**	8,547
Commission	**70,539**	85,895

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

27. OTHER OPERATING INCOME (CONT'D.)

	2013 RM'000	2012 RM'000
Company		
Net foreign exchange gains		
- realised	**81,796**	1,218
- unrealised	**24,950**	-
Net fair value gains on derivatives	**-**	10,059
Net fair value gain on financial assets held for trading	**1,303**	184
Gain on disposal of shares in a subsidiary pursuant to the listing of UMW-OG	**823,071**	-
Amortisation of financial guarantee	**501**	501

28. EMPLOYEE BENEFITS

	Group	
	2013 RM'000	2012 (restated) RM'000
(a) Staff costs		
Wages and salaries	**826,625**	738,472
Social security costs	**5,448**	5,131
Provision for unutilised leave	**3,462**	(829)
Pension costs - defined contribution plan	**92,323**	80,367
Pension costs - defined benefit plans (Note 21(a))	**2,820**	(3,825)
Other staff related expenses	**87,956**	75,994
	1,018,634	895,310

(b) Directors' remuneration is as follows:

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2013 RM'000	2012 (restated) RM'000	2013 RM'000	2012 RM'000
Executive director:				
Salaries and other emoluments	**1,933**	1,640	**-**	-
Defined contribution plan	**275**	190	**-**	-
Benefits-in-kind	**110**	104	**-**	-
Non-executive directors:				
Fees	**1,149**	1,154	**908**	890
Other emoluments	**509**	357	**353**	266
Benefits-in-kind	**278**	207	**215**	70

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

29. PROFIT BEFORE ZAKAT AND TAXATION

Profit before zakat and taxation are derived after charging/(crediting):

	2013 RM'000	2012 (restated) RM'000
Group		
Non-executive directors		
- fees	**1,149**	1,154
- other emoluments	**509**	357
- benefits-in-kind	**278**	207
Rental of offices and rigs	**100,689**	229,847
Research and development	**541**	196
Auditors' remuneration:		
Statutory audit		
- auditors' of the Company	**2,538**	2,335
- other auditors	**357**	573
Other services		
- auditors' of the Company	**3,608**	752
Bad debts written off	**1,684**	3,097
Net reversal of inventories written down	**(6,631)**	(7,915)
Royalty	**7,608**	6,773
Property, plant and equipment written off	**8,660**	7,145
Net impairment/(reversal of net impairment) losses of:		
- property, plant and equipment	**(4,872)**	25,228
- investment properties	**-**	146
- leased assets	**1,478**	(200)
- receivables	**79,080**	1,632
- non-current asset held for sale	**-**	287
- investments in joint ventures	**53,474**	-
- investments in associates	**(35,606)**	(66,208)
- goodwill for subsidiaries	**87,414**	35,218
- available-for-sale investment	**34**	-
Amortisation of product development expenditure	**-**	16
Loss on disposal of property, plant and equipment, leased assets and investment properties	**1,207**	3,605
Net unrealised foreign exchange losses	**14,400**	32,863
Net reversal of provision for warranties	**(20,091)**	(697)
Net fair value loss on financial assets held for trading	**9,497**	6
Net fair value loss on derivatives	**103,151**	-
Expenses pursuant to the listing of UMW-OG	**10,907***	-

* Total expenses incurred pursuant to the listing of UMW-OG amounted to RM65.9 million out of which RM55.0 million have been recognised into equity as disclosed in Note 9(f) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

29. PROFIT BEFORE ZAKAT AND TAXATION (CONT'D.)

Profit before zakat and taxation are derived after charging/(crediting):

	2013 RM'000	2012 RM'000
Company		
Non-executive directors		
- fees	**908**	890
- other emoluments	**353**	266
- benefits-in-kind	**215**	70
Auditors' remuneration - statutory audit	**172**	172
Impairment on investment in a subsidiary	**5,000**	-
Write back of impairment on investment in a subsidiary	**(20,000)**	-
Allowance for impairment loss on amount due from subsidiaries	**164,357**	-
Expenses pursuant to the listing of UMW-OG	**24,315**	-
Net fair value loss on derivatives	**100,592**	-
Net unrealised foreign exchange losses	**-**	33,228
Loss on disposal of equipment	**80**	-

The number of directors of the Company whose total remuneration falls within the respective bands are as follows:

	Number of directors 2013	2012
Executive director:		
RM1,900,001 - RM1,950,000	**-**	1
RM2,300,001 - RM2,350,000	**1**	-
Non-executive director:		
Up to RM50,000	**1**	-
RM50,001 - RM100,000	**2**	-
RM150,001 - RM200,000	**2**	2
RM200,001 - RM250,000	**1**	3
RM250,001 - RM300,000	**2**	1
RM300,001 - RM350,000	**-**	1
RM550,001 - RM600,000	**1**	-

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

30. FINANCE COSTS

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest expense				
- Bank borrowings	**56,841**	62,231	**-**	-
- Sukuk	**42,588**	23,810	**42,588**	23,810
- Others	**4,190**	1,677	**-**	-
	103,619	87,718	**42,588**	23,810
Less: Interest expense capitalised				
- Assets-in-progress	**(4,458)**	(4,354)	**-**	-
Net interest expense	**99,161**	83,364	**42,588**	23,810

31. INVESTMENT INCOME

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Investment income comprises:				
Gross dividend income from:				
- Available-for-sale financial assets				
- Quoted investments	**-**	1,502	**-**	-
- Unquoted investments	**400**	800	**-**	-
- Designated as fair value through profit or loss				
- Quoted investments outside Malaysia	**-**	733	**-**	-
- Held for trading investments				
- Quoted investments outside Malaysia	**7,449**	-	**-**	-
Interest income from:				
- Loans and receivables				
- Subsidiaries	**-**	-	**31,582**	36,147
- Others	**64,385**	65,090	**7,259**	3,313
- Held-to-maturity				
- Others	**1**	47	**-**	-
Distribution income from:				
- Quoted investments	**8,606**	10,329	**-**	-
	80,841	78,501	**38,841**	39,460

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

32. INCOME TAX EXPENSE

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian taxes	**341,597**	419,338	**-**	-
Overseas taxes	**21,196**	19,676	**-**	-
RPGT/WHT*	**7,285**	-	**387**	353
	370,078	439,014	**387**	353
Over provision in prior year:				
Malaysian taxes	**(8,621)**	(8,660)	**-**	-
Overseas taxes	**(4,318)**	(253)	**-**	-
	(12,939)	(8,913)	**-**	-
	357,139	430,101	**387**	353
Deferred taxation (Note 12):				
Relating to origination and reversal of temporary differences	**8,830**	10,888	**-**	-
Over provision in prior years	**(15,520)**	(9,520)	**-**	-
	(6,690)	1,368	**-**	-
	350,449	431,469	**387**	353

* Real Property Gain Tax/Withholding tax

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's tax rate of 25%, effective year of assessment 2016.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

32. INCOME TAX EXPENSE (CONT'D.)

Reconciliations of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2013 RM'000	2012 (restated) RM'000
Group		
Profit before zakat and taxation	**1,435,673**	2,020,276
Taxation at Malaysian statutory rate of 25% (2012: 25%)	**358,918**	505,069
Effect of different tax rates in other countries	**(5,588)**	(2,725)
Income not subject to tax	**(42,582)**	(54,478)
Expenses not deductible for tax purposes	**95,657**	35,289
Tax losses not available for offsetting against future taxable profits	**215**	179
Utilisation of current year's reinvestment allowances	**(349)**	(11,593)
Utilisation of previously unrecognised tax losses	**(12,429)**	(5,855)
Deferred tax assets not recognised	**21,355**	15,555
Over provision of deferred tax in prior years	**(15,520)**	(9,520)
Over provision of income tax expense in prior years	**(12,939)**	(8,913)
Effect of income subject to RPGT	**3,095**	-
Effect of share of profits of associates and joint ventures	**(39,384)**	(31,539)
Tax expense for the year	**350,449**	431,469
Company		
Profit before zakat and taxation	**1,190,422**	508,936
Taxation at Malaysian statutory rate of 25% (2012: 25%)	**297,606**	127,234
Income not subject to tax	**(369,995)**	(149,929)
Expenses not deductible for tax purposes	**73,410**	23,263
Utilisation of group relief	**(634)**	(215)
Tax expense for the year	**387**	353

The Company will be able to distribute dividends out of its entire retained profits as at 31 December 2013 under the single-tier system.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

33. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group 2013	Group 2012 (restated)
Net profit attributable to equity holders (RM'000)	**652,926**	994,296
Weighted average number of ordinary shares of RM0.50 in issue ('000)	**1,168,294**	1,168,294
Basic earnings per share of RM0.50 (sen)	**55.9**	85.1

Diluted earnings per ordinary share is not presented as the Company has no dilutive potential ordinary shares as at the end of the reporting period.

34. DIVIDENDS

	Amount		Net dividend per share of RM0.50 each	
	2013 RM'000	2012 RM'000	2013 Sen	2012 Sen
Recognised during the financial year:				
In respect of the financial year ended 31 December 2011:				
- Final single-tier dividend of 15%	-	87,622	-	7.5
In respect of the financial year ended 31 December 2012:				
- First interim single-tier dividend of 20%	-	116,829	-	10.0
- Second interim single-tier dividend of 30%	-	175,244	-	15.0
- Final single-tier dividend of 50%	**292,074**	-	**25.0**	-
In respect of the financial year ended 31 December 2013:				
- First interim single-tier dividend of 20%	**116,829**	-	**10.0**	-
	408,903	379,695	**35.0**	32.5

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

34. DIVIDENDS (CONT'D.)

	Amount		Net dividend per share of RM0.50 each	
	2013	2012	2013	2012
	RM'000	RM'000	Sen	Sen
Payable:				
In respect of the financial year ended 31 December 2013:				
- Second interim single-tier dividend of 30%	**175,244**	-	**15.0**	-
- Special interim single-tier dividend of 20%	**116,829**	-	**10.0**	-
	292,073	-	**25.0**	-
	700,976	379,695	**60.0**	32.5

A third interim single-tier dividend in respect of the current financial year of 18% or 9.0 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM105.1 million (2012: a single-tier dividend of 50% or 25.0 sen per share of RM0.50 each, amounting to RM292.1 million net dividend) was declared on 26 February 2014 and will be payable to the shareholders on 25 April 2014. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2014.

35. COMMITMENTS

	Group	
	2013	2012 (restated)
	RM'000	RM'000
(a) Capital commitments		
Approved and contracted for:		
- land and buildings	**110,126**	101,088
- equipment, plant and machinery	**630,250**	263,085
- others	**21,316**	14,378
	761,692	378,551
Approved but not contracted for:		
- land and buildings	**112,325**	42,844
- equipment, plant and machinery	**1,702,170**	911,065
- others	**150,952**	12,363
	1,965,447	966,272
Total capital commitments	**2,727,139**	1,344,823

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

35. COMMITMENTS (CONT'D.)

	Group 2013 RM'000	Group 2012 (restated) RM'000
(b) Commitments under non-cancellable operating leases		
Amount payable within 1 year	**3,658**	2,983
Amount payable later than 1 year but not more than 2 years	**4,230**	4,277
Amount payable later than 2 years but not more than 5 years	**1,646**	2,324
Amount payable after 5 years	**19,325**	20,720

36. CONTINGENT LIABILITIES

As at the reporting date, the Group and the Company have the following contingent liabilities for which no liability is expected to arise:

	Group 2013 RM'000	Group 2012 (restated) RM'000	Company 2013 RM'000	Company 2012 RM'000
Unsecured				
Performance bonds in favour of third parties	**211,117**	137,271	**-**	-
Letters of credit issued to third parties	**110,764**	69,795	**-**	-
Corporate guarantee issued to financial institutions in respect of banking facilities of joint ventures	**69,514**	68,828	**69,514**	68,828
Financial indemnity on:				
- Trade facilities granted to associates	**454,902**	282,945	**-**	-
- Banking facilities of joint ventures	**164,978**	247,351	**164,978**	247,351
- Banking facilities of subsidiaries	**-**	-	**106,108**	153,207
	1,011,275	806,190	**340,600**	469,386

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

37. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on products and services, and has five reportable operating segments as follows:

(i) The automotive segment is principally engaged in the import, assembly and marketing of passenger and commercial vehicles and related spares.

(ii) The equipment segment is involved in the trading and leasing of a wide range of light and heavy equipment, including related spares for use in the industrial, construction and agricultural sectors.

(iii) The manufacturing and engineering segment is involved in the manufacturing, assembly and trading of automotive parts, the blending, packaging, marketing and distribution of lubricants and other established agency lines in the automotive field.

(iv) The oil and gas segment is engaged in the manufacturing and trading of oil pipes and the provision of various oil and gas services including drilling and pipe-coating.

(v) The other segment is involved in the provision of the followings:
- (a) support services in travel;
- (b) information technology;
- (c) management and corporate services and various professional services; and
- (d) manufacturing, fabrication and supply of products and services to oil and gas industry.

Transfer prices between operating segments are at terms agreed between the parties.

Subsequent to the completion of the Internal Reorganisation pursuant to the listing of UMW-OG, certain companies which were previously presented under the Oil and Gas segment are now reallocated to the Others segment. The segment information in the previous financial year have been restated to reflect the changes.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

37. SEGMENT REPORTING (CONT'D.)

(a) Business segments

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
2013								
Revenue:								
External customers	10,020,931	1,676,590	705,512	737,752	810,675	-		13,951,460
Inter-segment	2,053	28,868	29,986	-	15,952	(76,859)	I	-
Total revenue	10,022,984	1,705,458	735,498	737,752	826,627	(76,859)		13,951,460
Results:								
Depreciation and amortisation	(84,829)	(94,737)	(16,804)	(89,383)	(39,533)	-		(325,286)
Share of results of associates and joint ventures	199,091	-	(5,421)	485	(36,618)	-		157,537
Segment profit/(loss) before zakat and taxation	1,413,474	195,838	(39,164)	206,849	(341,324)	-		1,435,673
Zakat	-	-	-	-	(1,012)	-		(1,012)
Income tax expense	(280,964)	(33,243)	(10,181)	(14,791)	(11,270)	-		(350,449)
Segment profit/(loss) after zakat and taxation	1,132,510	162,595	(49,345)	192,058	(353,606)	-		1,084,212

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

37. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Note	Per Consolidated Financial Statements RM'000
2013 (cont'd.)							
Assets:							
Investment in associates and joint ventures	1,168,667	-	32,763	2,392	550,122		1,753,944
Additions to non-current assets	145,259	142,976	27,580	785,324	115,673	II	1,216,812
Segment assets	5,185,791	1,166,246	623,476	3,890,669	3,728,965		14,595,147
Liabilities:							
Segment liabilities	1,272,365	552,967	327,852	1,051,561	2,457,870		5,662,615

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

37. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
2012 (restated)								
Revenue:								
External customers	11,495,808	2,104,482	648,539	832,177	735,882	-		15,816,888
Inter-segment	2,288	33,987	32,169	-	22,948	(91,392)	I	-
Total revenue	11,498,096	2,138,469	680,708	832,177	758,830	(91,392)		15,816,888
Results:								
Depreciation and amortisation	(76,432)	(85,853)	(17,282)	(63,586)	(29,832)	-		(272,985)
Share of results of associates and joint ventures	175,301	-	(6,334)	458	(43,269)	-		126,156
Segment profit/(loss) before zakat and taxation	1,796,792	183,458	9,938	74,376	(44,288)	-		2,020,276
Income tax expense	(369,594)	(37,551)	(9,848)	(11,708)	(2,768)	-		(431,469)
Segment profit/(loss) after zakat and taxation	1,427,198	145,907	90	62,668	(47,056)	-		1,588,807

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

37. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Note	Per Consolidated Financial Statements RM'000
2012 (restated) (cont'd.)							
Assets:							
Investment in associates and joint ventures	1,059,070	-	-	23,151	548,687		1,630,908
Additions to non-current assets	98,720	121,020	22,752	365,817	20,982	II	629,291
Segment assets	5,139,707	1,165,940	635,567	2,064,870	2,485,059		11,491,143
Liabilities:							
Segment liabilities	1,337,872	696,933	300,958	1,963,684	893,280		5,192,727

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

37. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

The following are nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

I. Inter-segment revenues are eliminated on consolidation.

II. Additions to non-current assets consist of:

	Note	2013 RM'000	2012 RM'000
Property, plant and equipment	4	**1,102,701**	517,076
Leased assets	8	**114,111**	112,215
		1,216,812	629,291

(b) Geographical segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
2013			
Revenue from external customers	**12,801,915**	**1,149,545**	**13,951,460**
Non-current assets	**2,902,028**	**1,307,536**	**4,209,564**
2012			
Revenue from external customers	14,818,645	998,243	15,816,888
Non-current assets	2,025,684	1,381,591	3,407,275

Non-current assets stated above consist of the following items as presented in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Property, plant and equipment	**3,898,853**	2,997,268
Investment properties	**4,553**	9,774
Intangible assets	**37,856**	138,334
Land use rights	**6,697**	4,609
Leased assets	**259,163**	244,788
Non-current assets held for sale	**2,442**	12,502
	4,209,564	3,407,275

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES

(i) The following are the subsidiaries of the Company:

Company	Group Effective interest 2013 %	2012 %	Principal activities
(a) Subsidiaries incorporated in Malaysia			
Subsidiaries of the Company:			
UMW Corporation Sdn. Bhd.	**100**	100	Provision of full corporate, administrative, professional, security services and financial support to its subsidiaries and associates. In addition, the subsidiary also trades in a range of light and heavy equipment.
UMW Petropipe (L) Ltd.	**100**	100	Investment holding.
UMW Australia Ventures (L) Ltd.	**100**	100	Investment holding.
UMW Oil & Gas Berhad	**100**	100	Investment holding.
UMW Oil & Gas Corporation Berhad (formerly known as UMW Oil & Gas Corporation Sdn. Bhd.)	**55.15**	100	Provision of full corporate management, administrative and professional services to its related companies.
Subsidiaries of: UMW Corporation Sdn. Bhd. UMW Petropipe (L) Ltd. UMW Australia Ventures (L) Ltd. UMW Oil & Gas Berhad UMW Oil & Gas Corporation Berhad			
UMW Malaysian Ventures Sdn. Bhd.	**55.15**	100	Investment holding.
UMW Industries (1985) Sdn. Bhd.	**100**	100	Distribution of industrial and material handling equipment and related spares.
UMW (East Malaysia) Sdn. Bhd.	**100**	100	Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak.
UMW (Sarawak) Sdn. Bhd.	**100**	100	Dormant.
UMW Equipment Sdn. Bhd.	**100**	100	Distribution of industrial and heavy equipment and related spares in Peninsular Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	2012 %	Principal activities
(a) Subsidiaries incorporated in Malaysia (cont'd.)			
UMW Advantech Sdn. Bhd.	**100**	100	Manufacturing and distribution of filters, plastic engineering products and spare parts for various automotive and industrial applications and letting out properties.
UMW Industrial Power Sdn. Bhd.	**100**	100	Distribution of industrial and power equipment and related parts.
UMW Offshore Investment (L) Ltd.	**100**	100	Investment holding.
UMW Linepipe (L) Ltd.	**100**	66.12	Investment holding.
UMW Drilling Co. Ltd.	**55.15**	100	Ownership and leasing of rig.
UMW Oilfield International (L) Ltd.	**60**	60	Supply of oil and gas products and services and investment holding.
UMW Oilpipe Services (Turkmenistan) Ltd.	**28.13**	51	Provision of threading, inspection, repair and maintenance services for OCTG.
UMW China Ventures (L) Ltd.	**100**	100	Investment holding.
U-Insurance Sdn. Bhd.	**-**	100	Insurance agency services.
UMW Autocorp Sdn. Bhd.	**100**	100	Investment holding.
Kelang Pembena Kereta2 Sendirian Berhad	**100**	100	Dormant.
KPKK Realty Sdn. Bhd.	**100**	100	Dormant.
UMW Equipment Rental Services Sdn. Bhd.	**100**	100	Dormant.
UMW Lubricant International Sdn. Bhd.	**100**	100	Marketing, selling and distribution of "Repsol" branded lubricants.
U-TravelWide Sdn. Bhd.	**100**	100	Provision of travel agency services.
UMW Aero Industries Sdn. Bhd.	**100**	100	Dormant.
Tracpart Centre Sdn. Bhd.	**100**	100	Dormant.
U E-Technologies Sdn. Bhd.	**100**	100	Provision of information technology services.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	2012 %	Principal activities
(a) Subsidiaries incorporated in Malaysia (cont'd.)			
Otomobil Sejahtera Sdn. Bhd.	**100**	100	Importing and retailing of passenger and commercial vehicles.
UMW M&E Sdn. Bhd.	**100**	100	Investment holding.
UMW Vehicle Components Sdn. Bhd.	**100**	100	Dormant.
UMW Fabritech Sdn. Bhd.	**70**	70	Providing sandblasting, testing, priming, coating, inspection, maintenance and repair services of equipment and tubes.
UMW Oilfield International (M) Sdn. Bhd.	**100**	100	Supply of oil and gas products and services.
Lubetech Sdn. Bhd.	**100**	100	Blending and packaging of lubricants.
UMW Pennzoil Distributors Sdn. Bhd.	**100**	100	Marketing, selling and distribution of "Pennzoil" branded lubricants.
UMW Workover Sdn. Bhd. (formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.)	**55.15**	100	Provision of workover operations for the Oil and Gas Industry.
UMW JDC Drilling Sdn. Bhd.	**46.88**	85	Provision of drilling operations for the Oil and Gas Industry.
Inobel Sdn. Bhd.	**100**	100	Marketing and rendering of information technology services.
KYB-UMW Steering Malaysia Sdn. Bhd.	**52.1**	52.1	Manufacture and assembly of power steering pumps.
KYB-UMW Malaysia Sdn. Bhd.	**52.1**	52.1	Manufacture and assembly of vehicle shock absorbers.
UMW Development Sdn. Bhd.	**51**	51	Investment holding and property development.
UMW Toyota Motor Sdn. Bhd.	**51**	51	Investment holding and importation and distribution of Toyota vehicles and related spares.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	Group Effective interest 2012 %	Principal activities
(a) Subsidiaries incorporated in Malaysia (cont'd.)			
Assembly Services Sdn. Bhd.	**51**	51	Assembly of vehicles, manufacturing of engines and fitting of accessories.
Automotive Industries Sendirian Berhad	**51**	51	Manufacture of vehicle exhaust systems and kangaroo bars.
UMW Australia Ventures Sdn. Bhd.	**100**	100	Investment holding.
Toyota Boshoku UMW Sdn. Bhd.	**33.15**	33.15	Manufacture of seats, interior and exterior parts and other parts for cars and other vehicles.
UMW Oilpipe Services Sdn. Bhd.	**55.15**	100	Provision of threading for OCTG.
UMW Naga Two (L) Ltd.	**55.15**	100	Ownership and leasing of rig.
UMW Naga Three (L) Ltd.	**55.15**	100	Ownership and leasing of rig.
UMW India Ventures (L) Ltd.	**75**	75	Investment holding.
UMW Sher (L) Ltd.	**45**	45	Provide contract drilling and engineering services for the Oil and Gas Industry and leasing of drilling rigs and vessels.
UMW Offshore Drilling Sdn. Bhd. (formerly known as UMW Standard Drilling Sdn. Bhd.)	**55.15**	100	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.
Coldfusion Engineering Sdn. Bhd.	**100**	100	Dormant.
MK Autocomponents Limited	**61.08**	61.08	Investment holding.
MK Automotive Industries Limited	**55**	55	Investment holding.
UMW Synergistic Generation Sdn. Bhd.	**60**	60	Provision of engineering and maintenance services as a customised equipment packager and a total solution provider for power generators and other equipment used in the oil and gas and other markets.
UMW SG Power Systems Sdn. Bhd.	**60**	60	General contractor, sales and services equipment.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	2012 %	Principal activities
(a) Subsidiaries incorporated in Malaysia (cont'd.)			
UMW SG Engineering & Services Sdn. Bhd.	**60**	60	Engineering works and general trading.
UMW Drilling 4 (L) Ltd.	**55.15**	100	Ownership and leasing of rig.
UMW M&E Limited	**100**	100	Investment holding.
UMW Drilling Academy Sdn. Bhd.	**55.15**	-	Provision of training and other related services.
UMW Rig Asset (L) Ltd.	**55.15**	-	Investment holding.
UMW Drilling 5 (L) Ltd.	**55.15**	-	Ownership and leasing of rig.
UMW Drilling 6 (L) Ltd.	**55.15**	-	Ownership and leasing of rig.
(b) Subsidiaries incorporated in the Republic of Singapore			
UMW Equipment & Engineering Pte. Ltd.	**100**	100	Importation, distribution, repair, maintenance and service of all types of industrial and heavy equipment, automotive parts and related spares in Singapore.
UMW Equipment Systems Pte. Ltd.	**100**	100	Investment holding.
Vina Offshore Holdings Pte. Ltd.*	**70**	70	Sale of supplies used in the marine and offshore oil rig industry.
PFP Singapore Pte. Ltd.*	**75**	75	Sale of piping materials.
UMW Helmsion Engineering Pte. Ltd.*	**42**	42	Manufacture of industrial cranes and related products and services.
UMW Standard 1 Pte. Ltd.	**55.15**	100	Ownership and leasing of rig.
UMW Standard 3 Pte. Ltd.	**55.15**	100	Ownership and leasing of rig.
UMW Singapore Ventures Pte. Ltd.*	**55.15**	100	Investment holding.
UMW Marine and Offshore Pte. Ltd.*	**100**	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	2012 %	Principal activities
(c) Subsidiary incorporated in Papua New Guinea			
UMW Niugini Limited*	**94.4**	94.4	Distribution of heavy equipment and related spares.
(d) Subsidiaries incorporated in People's Republic of China			
UMW Oilfield Services (Tianjin) Co., Limited*	**55.15**	100	Provision of threading, inspection, repair and maintenance services for OCTG.
UMW Industrial Equipment (Shanghai) Co., Ltd.*	**100**	100	Provision of after-sales and repair services for equipment.
UMW Industrial Trading (Shanghai) Co., Ltd.*	**100**	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
Vision Fleet Equipment Leasing (Shanghai) Co., Ltd.*	**100**	100	Rental and fleet management services mainly for products distributed by the UMW Group of China.
PFP (Shenzhen) Piping Materials Co., Ltd.*	**75**	75	Import and export of piping materials.
UMW Coating Technologies (Tianjin) Co., Ltd.*	**100**	100	Provision of oil and gas related equipment and pipe coating services.
(e) Subsidiary incorporated in Thailand			
UOT (Thailand) Limited*	**32.43**	58.8	Provision of threading, inspection, repair and maintenance services for OCTG.
(f) Subsidiary incorporated in the Republic of Vietnam			
UMW Equipment Systems (Vietnam) Company Limited*	**100**	100	Provision of service for equipment installation, maintenance, repair, overhaul and lease of equipment in industrial, construction and traffic sectors.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	2012 %	Principal activities
(g) Subsidiaries incorporated in the Union of Myanmar			
UMW Machinery Limited*#	**100**	100	Importation and distribution of industrial and heavy equipment and related parts.
UMW Engineering Services Limited*#	**100**	100	Provision of after-sales services for equipment and maintenance and repair of equipment.
(h) Subsidiary incorporated in British Virgin Islands			
UMW ACE (BVI) Ltd.	**70**	70	Investment holding.
(i) Subsidiaries incorporated in Australia			
PFP Holdings Pty. Ltd.	**100**	100	Investment holding.
PFP (Aust) Holdings Pty. Ltd.	**100**	100	Investment holding.
Australasia Piping Products Pty. Ltd.	**100**	100	Dormant.
PFP (Aust) Pty. Ltd.	**100**	100	Stockist and sales of pipes and fittings to the Oil and Gas Industry.
(j) Subsidiaries incorporated in India			
Multicoat Coating Technologies Private Limited *#	**-**	51	Manufacture, produce, process, formulate and undertake research and development of refractory coatings, ceramic coatings, functional coatings, high emissivity coatings, nano coatings, new generation coatings and all types of advanced ceramic, composite and polymeric coatings.
Sathya Auto Private Limited #	**61.08**	61.08	Manufacture of mechanical jacks, radiator caps and sheet metal components.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	Group Effective interest 2012 %	Principal activities
(j) Subsidiaries incorporated in India (cont'd.)			
Castwel Autoparts Private Limited #	**61.08**	61.08	Manufacture of aluminium gravity/pressure die casting, aluminium alloys and machine components.
Jaybee Drilling Private Limited #	**45**	45	Onshore drilling activities in India.
UMW Dongshin Motech Private Limited#	**37.8**	37.8	Original equipment manufacturer of stamped automotive upper body parts.
(k) Subsidiary incorporated in Taiwan			
PFP Taiwan Co., Ltd.*	**75**	75	Wholesale of metal building materials and international trade.
(l) Subsidiary incorporated in Bahrain			
UMW Middle East Ventures Holding W.L.L.*	**100**	100	Investment holding.
(m) Subsidiary incorporated in Oman			
Arabian Drilling Services L.L.C.	**65**	65	Drilling of oil and natural gas wells and service activities incidental to extraction of petroleum and natural gas, excluding surveying.
(n) Subsidiaries incorporated in the Cayman Islands			
Offshore Driller B324 Ltd.	**55.15**	100	Ownership and leasing of rig.
Offshore Driller 4 Ltd.	**55.15**	-	Investment holding and provision of management services.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

38. SUBSIDIARIES (CONT'D.)

(i) The following are the subsidiaries of the Company (cont'd.):

Company	Group Effective interest 2013 %	2012 %	Principal activities
(o) Subsidiary incorporated in the Republic of Indonesia			
PT UMW International	**100**	-	Investment holding and general trading.

* Subsidiaries audited by firms of Chartered Accountants other than Ernst & Young.
# The financial year end of the above subsidiaries is 31 March.

(ii) The following companies are under members' voluntary liquidation/deregistration:

Company	Group Effective interest 2013 %	2012 %	Principal activities
(a) Subsidiaries incorporated in Malaysia			
UMW Deepnautic Sdn. Bhd.	**51.26**	87.14	Dormant.
UMW Pressure Control Sdn. Bhd.	**51**	51	Supply speciality snubbing, hot tapping technology and wellhead freezing equipment and services to the Oil and Gas Industry and manufacturing of oil and gas related products.
(b) Subsidiary incorporated in the Republic of Singapore			
UMW Deepnautic Pte. Ltd.*	**35.7**	35.7	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

39. JOINT VENTURES

Company	Group Effective interest 2013 %	Group Effective interest 2012 %	Principal activities
(a) Joint venture incorporated in the Republic of Singapore			
Tubulars International Pte. Ltd.*	**30**	30	Investment holding.
(b) Joint venture incorporated in Hong Kong			
Lubritech International Holdings Limited*	**60**	60	Investment holding.
(c) Joint venture incorporated in India			
United Seamless Tubulaar Private Limited *	**32.2**	32.2	Manufacturing of seamless tubular green pipes.
(d) Joint ventures incorporated in People's Republic of China			
Lubritech Limited*	**60**	60	Produce and operate lubrication oil business and import and wholesale of lubrication oil and lubrication grease.
Sichuan Haihua Petroleum Steel Pipe Co. Ltd.*	**40**	40	Manufacturing of oil, gas, water and other liquid from transmission pipes, and provision of antisepsis coating services for steel pipes.

Other than United Seamless Tubulaar Private Limited whose financial year end is 31 March, the financial year end of all the above jointly-controlled entities is 31 December.

* Audited by firms of Chartered Accountants other than Ernst & Young.

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

40. ASSOCIATES

Company	Group Effective interest 2013 %	2012 %	Principal activities
(a) Associates incorporated in Malaysia			
Rail-Tech Industries Sdn. Bhd.	**50**	50	Dormant.
Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	**38**	38	Investment holding and provision of management and administrative services.
Held through Perodua:			
Perodua Sales Sdn. Bhd.	**38**	38	Marketing and distribution of motor vehicles, related spare parts and other related activities.
Strategic Auto Sdn. Bhd.	**38**	38	Dormant.
Perodua Global Manufacturing Sdn. Bhd.	**28.12**	38	Manufacturer and dealer in component parts including engines, coupling and transmission components.
UMW Toyotsu Motors Sdn. Bhd.	**30**	30	Sales and after-sales services of Toyota brand of motor vehicles, parts and other relevant products.
Toyota Capital Malaysia Sdn. Bhd.	**30**	30	Hire purchase financing, factoring and trade confirming.
Toyota Capital Acceptance Malaysia Sdn. Bhd.	**30**	30	Hire purchase financing, debt factoring and money lending.
Held through Toyota Capital Acceptance Malaysia Sdn. Bhd.:			
Seabanc Kredit Sdn. Bhd.	**30**	30	Hire purchase financing, leasing and debt factoring.
Toyota Lease Malaysia Sdn. Bhd.	**30**	30	Provision of lease financing.
PFP (Malaysia) Sdn. Bhd.	**40**	40	Supply of materials to the marine process and petro-chemical industries.
Lada Motors Sendirian Berhad	**40**	40	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

40. ASSOCIATES (CONT'D.)

Company	Group Effective interest 2013 %	Group Effective interest 2012 %	Principal activities
(b) Associates incorporated in People's Republic of China			
Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd.*	**49**	49	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.
Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd.*	**34.3**	34.3	Manufacturing and marketing of Longitudinal Submerged Arc Welded (LSAW) steel pipes for oil and gas transmission lines and structural pipe for oil and gas applications; internal gas applications; and internal services.
Shanghai BSW Petro-pipe Co., Ltd.*	**32.4**	32.4	Manufacture of spiral welded pipes for the Oil and Gas Industry.
Jiangsu Tube-Cote Shuguang Coating Co., Ltd.*	**28.13**	28.13	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.
Held through WSP Holdings Limited:			
Wuxi Seamless Oil Pipe Co., Ltd.*	**22.5**	22.5	Design and manufacture of seamless OCTG and line pipes for the Oil and Gas Industry.
(c) Associate incorporated in India			
Multicoat Surfaces Private Limited*	**-**	22.5	Undertake research in the field of new generation coatings and solutions.
(d) Associate incorporated in Thailand			
Oil-Tex (Thailand) Company Limited*	**20**	20	Provision of logistic services for the Oil and Gas Industry.
(e) Associate incorporated in British Virgin Islands			
First Space Holdings Limited*	**22.5**	22.5	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

40. ASSOCIATES (CONT'D.)

Company	Group Effective interest 2013 %	Group Effective interest 2012 %	Principal activities
(f) Associate incorporated in the Cayman Islands			
WSP Holdings Limited*	**22.5**	22.5	Investment holding.

* Audited by firms of Chartered Accountants other than Ernst & Young.

Other than UMW Toyotsu Motors Sdn. Bhd., Toyota Capital Malaysia Sdn. Bhd. and its subsidiaries whose financial year end is 31 March, and Oil-Tex (Thailand) Company Limited whose financial year end is 30 June, the financial year end of all of the above associated companies is 31 December.

41. SIGNIFICANT EVENTS

(a) On 3 January 2013, all terms and conditions of the Sale and Purchase Agreement for the disposal of UMW Corporation Sdn. Bhd.'s ("UMWC") entire equity interest in a subsidiary company U-Insurance Sdn. Bhd. to Kudrat Maritime (Malaysia) Sdn. Bhd. had been fulfilled and completed.

(b) On 26 February 2013, the Company announced that it is planning to list its Oil & Gas Division and is in the midst of finalising the appointment of Advisers for the proposed listing.

On 16 May 2013, directors of the Company, Maybank Investment Bank Berhad ("Maybank IB") and CIMB Investment Bank Berhad ("CIMB") announced that the Company will list its wholly-owned subsidiary, UMW Oil and Gas Corporation Berhad ("UMW-OG"), on the Main Market of Bursa Malaysia Securities Berhad. UMW-OG will undertake the following:

(i) initial public offering (IPO) of up to 843,180,000 ordinary shares of RM0.50 each in UMW-OG ("UMW-OG Shares"), comprising an offer for sale of up to 231,380,000 UMW-OG Shares and a public issue of 611,800,000 new UMW-OG Shares to retail and institutional investors ("Proposed IPO"); and

(ii) listing of and quotation for the entire enlarged issued and paid-up share capital of UMW-OG on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

Pursuant to the IPO and Listing of UMW-OG on the Main Market of Bursa Securities Malaysia Berhad, the Company and UMW-OG had completed the following Internal Reorganisation:

(i) Transfer of UMW-OG

UMW Oil & Gas Berhad transferred its entire equity interest, representing four (4) ordinary shares of RM0.50 each to the Company for a consideration of RM2.00.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

41. SIGNIFICANT EVENTS (CONT'D.)

(b) Pursuant to the IPO and Listing of UMW-OG on the Main Market of Bursa Securities Malaysia Berhad, the Company and UMW-OG had completed the following Internal Reorganisation (cont'd.):

(ii) Subscription of UMW-OG shares by the Company

The Company subscribed 90,000,000 new UMW-OG shares of RM0.50 each for RM45,000,000.

(iii) Advances to UMW-OG ("Advances Drawndown")

The Company provided advances of RM74,100,000 to UMW-OG.

(iv) Disposal of subsidiaries and associates

The Company and its directly owned subsidiaries, UMWC and UMW Petropipe (L) Ltd. ("UPL") disposed certain subsidiaries and associates for a total consideration of RM149,000,000, of which RM44,500,000 was settled via subscription of shares of UMW-OG. The balance of the purchase consideration of RM105,500,000 ("Amount Owing From Acquisition") was settled in a manner as explained in Note 41(v). The basis of arriving at the said total purchase consideration was determined based on the cost of investment of the respective companies disposed as at 31 December 2012.

(v) Settlement of amounts owing by UMW-OG Group to the companies within the UMWH Group

UMW-OG settled the amount owing from acquisitions and the outstanding amounts owing of RM1,222,000,000 comprising amounts owed by UMW-OG Group, (subsequent to the acquisitions of subsidiaries and associates) to UMWH Group as at 31 March 2013 and Advances Drawndown by way of the following:

(a) RM730,100,000 was settled by way of issuance of 1,460,200,000 new UMW-OG shares of RM0.50 each; and

(b) the remaining balance of RM597,400,000 was settled in cash using proceeds raised by UMW-OG from the IPO.

The Internal Reorganisation was completed on 30 August 2013.

On 1 November 2013, the Company announced that the listing of UMW-OG, had been completed following the listing of and quotation for the entire issued and paid-up share capital of UMW-OG of 2,162,000,000 ordinary shares of RM0.50 each in UMW-OG on the Main Market of Bursa Malaysia Securities Berhad.

(c) On 11 April 2013, the Company incorporated a wholly-owned subsidiary in Malaysia known as UMW Drilling Academy Sdn. Bhd. ("UMW DA"). The principal activity of UMW DA is to provide training services and courses related to drilling activities. The initial paid-up capital of UMW DA is RM2.00 divided into 2 ordinary shares of RM1.00 each.

The Company effectively became a 55.15% owned subsidiary of UMW upon the listing of UMW-OG on Bursa Securities on 1 November 2013.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

41. SIGNIFICANT EVENTS (CONT'D.)

(d) On 23 May 2013, UMW Rig Asset (L) Ltd. ("URA"), a wholly-owned subsidiary of UMW-OG, which in turn, is a wholly-owned subsidiary of UMW had entered into a Share Purchase Agreement ("SPA") with S.D. Standard Drilling Plc ("SD") for the acquisition of the entire issued and paid-up capital of Offshore Driller 4 Ltd. ("OD-4"), for a consideration of USD69.4 million (equivalent to approximately RM216.9 million) and further for the assignment of all rights and interests under the Vessel Construction Agreement ("VCA") entered into between OD-4 and Keppel FELS Limited ("Keppel") on 29 April 2011, for the construction of a mobile offshore self-elevating jack-up drilling rig of Keppel FELS Mod VB designed with Builder's Hull no. B340 (the "Rig"), inclusive of all equipment and spares belonging to the Rig whether on board, ashore or on order as may be delivered by Keppel under VCA for a consideration of USD153.6 million.

The Company effectively became a 55.15% owned subsidiary of UMW upon the listing of UMW-OG on Bursa Securities on 1 November 2013.

(e) On 12 June 2013, UMW-OG, a wholly owned subsidiary of UMW had established two (2) wholly-owned subsidiaries in the Federal Territory of Labuan, Malaysia, i.e. UMW Drilling 5 (L) Ltd. ("UD5") and UMW Drilling 6 (L) Ltd. ("UD6"). The initial paid-up capital of each company is USD1.00 divided into 1 ordinary share. The principal activities of the newly-incorporated subsidiaries are of ownership and leasing of rigs.

The Company effectively became a 55.15% owned subsidiary of UMW upon the listing of UMW-OG on Bursa Securities on 1 November 2013.

(f) On 11 July 2013, the Group received confirmation from the Liquidator that the winding up of the dormant subsidiary in the Group namely, Seat Industries (Malaysia) Sdn. Bhd. had been completed.

(g) On 31 July 2013, the Group received the Endorsement Decision issued by the Ministry of Law and Human Rights, Indonesia confirming the establishment of PT UMW International in Indonesia ("PTUI"), effective 25 July 2013. PTUI was jointly established between UPL and UMW M&E Sdn. Bhd. ("UMW M&E"), a wholly-owned subsidiary in the Group. The intended principal activity of PTUI is investment holding and general trading. The initial paid-up share capital of PTUI will be USD1,000,000 (or any equivalent amount in Rupiah) divided into 1,000,000 ordinary shares of USD1.00 each (or any equivalent amount in Rupiah), in the proportion of 80% UMW M&E and 20% UPL.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

41. SIGNIFICANT EVENTS (CONT'D.)

(h) On 11 October 2013, the Company entered into a Sale of Shares Agreement ("SSA") with Dr. Leong Chik Weng, a director of the Company, for the acquisition and the subscription of the following:

(i) 650,000 ordinary shares of RM1.00 each, representing 10% of the total issued and paid-up share capital of e-Lock Corporation Sdn. Bhd. ("e-Lock"), held by Dr. Leong Chik Weng for a total consideration of USD4,000,000 at the prevailing exchange rate at the date of payment; and

(ii) 650,000 new ordinary shares of RM1.00 each issued by e-Lock for a total consideration of USD4,000,000 at the prevailing exchange rate at the date of payment.

This resulted in a total acquisition of 1,300,000 ordinary shares of RM1.00 each, representing 18.2% of the issued and paid-up share capital of e-Lock.

As at reporting date, the Company has paid USD7,500,000 (equivalent to RM23,850,000) for the acquisition and the remaining balance of the consideration of USD500,000 will be paid upon registration of the Company's rights and interest over rights issue on the basis of two (2) new ordinary shares for every one (1) existing ordinary shares to be issued by e-Lock within three (3) months from the date of the SSA.

In the event the registration of the Company's rights and interest over the right issue does not materialised within three (3) months from the date of the SSA, both parties has agreed to extend such period for another three (3) months.

The acquisition represents an investment in a one-stop provider that offers a comprehensive suite of web security solutions and services. It will be a platform for the Group's entry into an innovative software security solutions company. This investment marks a significant step for UMW to penetrate into a new growth business which is recurring, sustainable and scalable.

42. SUBSEQUENT EVENTS

(a) On 17 January 2014, PT UMW International, a wholly-owned subsidiary of UMW and PT Pusaka Sukucadang ("BBG") Indonesia, the nominee of Bluebird Group received the Endorsement Decision dated 17 January 2014, issued by the Ministry of Law and Human Rights, Indonesia, confirming the establishment of PT Pusaka Bersatu ("PTPB") in Indonesia.

The intended principal activity of PTPB is trading in various automotive based businesses in Indonesia.

The initial paid-up share capital of PTPB is USD1,000,000 (or any equivalent amount in Rupiah) divided into 1,000,000 ordinary shares of USD1.00 each (or any equivalent amount in Rupiah), with PTUI and BBG holding 49% and 51% of the paid-up capital, respectively.

(b) On 10 April 2014, in respect of the SSA between the Company and Dr. Leong Chik Weng, both parties have mutually agreed upon a further extension of the subscription period of the rights issue of ordinary shares of RM1.00 each in e-Lock by another three (3) months from the expiry of the six (6) months period stipulated in the SSA. The extended duration shall be effective from 11 April 2014 to 10 July 2014.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

43. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) In addition to the related party transaction information disclosed elsewhere, transactions by UMW Holdings Berhad and its subsidiaries with the associates and corporate shareholder of the subsidiaries are as follows:

UMW and its subsidiaries	Transacting parties	Nature of transactions	2013 RM'000	2012 RM'000
UMW Industries (1985) Sdn. Bhd.	Perodua Group*	Lease rental	**6,228**	6,825
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	Perodua Group*	Sale of shock absorbers	**60,520**	56,530
U-TravelWide Sdn. Bhd.	Perodua Group*	Air tickets	**4,909**	1,765
UMW Toyota Motor Sdn. Bhd. and its subsidiaries	Perodua Group*	Sale of goods and services	**132,889**	120,805
UMW Industrial Power Sdn. Bhd.	Perodua Group*	Sale of goods and services	**5,496**	6,750
UMW Advantech Sdn. Bhd.	Perodua Group*	Sale of goods and services	**37,598**	31,576
Lubetech Sdn. Bhd.	Perodua Group*	Sale of goods and services	**13,647**	8,011
UMW JDC Drilling Sdn. Bhd.	Japan Drilling Co. Ltd. and its subsidiaries	Purchase of goods and services	**31,835**	30,358
	Japan Drilling Co. Ltd. and its subsidiaries	Bare boat charter	**50,718**	4,807
	Japan Drilling Co. Ltd. and its subsidiaries	Sale of goods and services	**-**	11,640
UMW Drilling Co. Ltd.	Japan Drilling Co. Ltd. and its subsidiaries	Deepdish project	**-**	151,803

* Comprises Perusahaan Otomobil Kedua Sdn. Bhd., its subsidiaries and associates.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(b) Transactions by the Group with Toyota Motor Corporation, Japan (the corporate shareholder of UMW Toyota Motor Sdn. Bhd.) and its subsidiaries and associates are as follows:

UMW and its subsidiaries	Transacting parties	Nature of transactions	2013 RM'000	2012 RM'000
UMW Toyota Motor Sdn. Bhd. and its subsidiaries	Toyota Motor Corporation, Japan and its subsidiaries	Sale of goods and services	**1,163,176**	1,290,986
		Purchase of goods and services	**3,905,490**	4,370,099
	UMW Toyotsu Motors Sdn. Bhd.	Sale of goods	**146,498**	189,509
		Purchase of goods and services	**2,419**	765

(c) Transactions by the Group with the corporate shareholders of KYB-UMW Malaysia Sdn. Bhd. are as follows:

UMW and its subsidiaries	Transacting parties	Nature of transactions	2013 RM'000	2012 RM'000
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	Kayaba Industry Co. Ltd., Japan and its subsidiaries	Sale of goods and services	**57,009**	38,927
		Purchase of goods and services	**7,875**	723
	Toyota Tsusho Corporation, Japan and its affiliated company	Sale of goods and services	**87**	84
		Purchase of goods and services	**32,020**	39,343

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(d) Transactions by the Group with a related company of the corporate shareholder of UMW Sher (L) Ltd. and Jaybee Drilling Pvt. Ltd. are as follows:

UMW and its subsidiaries	Transacting parties	Nature of transactions	2013 RM'000	2012 RM'000
UMW Sher (L) Ltd.	) Jaybee Energy) Pte. Ltd.	Bare boat charter	**11,799**	11,484
Jaybee Drilling Pvt. Ltd.	)	Purchase of goods and services	**11,571**	12,030

(e) Transaction by the Company with a non-executive director of the Company and with a company the director has interest is as follows:

UMW	Transacting parties	Nature of transactions	2013 RM'000	2012 RM'000
UMW Holdings Berhad	Dr. Leong Chik Weng/ e-Lock Corporation Sdn. Bhd.	Acquisition of shares	**23,850**	-

(f) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

	2013 RM'000	2012 RM'000
Salaries and wages	**25,905**	19,038
Provision for unutilised leave	**21**	59
Pension costs - defined benefit plan	**3,470**	2,354
Retirement gratuity	**-**	572
Other staff related costs	**2,282**	1,995
	31,678	24,018

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

44. FAIR VALUE DISCLOSURES

The financial instruments of the Group and Company consist of cash and cash equivalents, trade and other receivables, borrowings, trade and other payables and derivatives.

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Determination of fair value

Quoted equity instruments
Fair value is determined directly by reference to their published market price at the reporting date.

Derivatives
Interest rate swap contracts and forward exchange contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Financial guarantees
Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

44. FAIR VALUE DISCLOSURES (CONT'D.)

Determination of fair value (cont'd.)

Loans and borrowings

Fair values of the Group's interest-bearing borrowings and loans are determined by using the discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2013 was assessed to be insignificant.

Finance leases

The fair value of finance lease receivables/payables are estimated by discounting expected future cash flows at a rate for similar types of leasing arrangements at the reporting date.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

(i) Financial instruments not carried at fair value

	Note	2013 Carrying amount RM'000	2013 Fair value RM'000	2012 Carrying amount RM'000	2012 Fair value RM'000
Group					
Financial assets					
Other investments (non-current)	13	**28,324**	*****	4,508	*
Finance lease receivables	16	**20,781**	**20,781**	7,890	7,890
		49,105	**20,781**	12,398	7,890
Financial liabilities					
Finance lease payables	23	**2,053**	**2,053**	3,434	3,434
Long term borrowings					
- Fixed rate borrowings	22	**3,920**	**3,920**	3,920	3,920
- Fixed rate Sukuk	22	**739,770**	**699,986**	799,595	795,409
Financial guarantees	25	**3,446**	**4,793**	5,718	6,421
		749,189	**710,752**	812,667	809,184

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

44. FAIR VALUE DISCLOSURES (CONT'D.)

(i) Financial instruments not carried at fair value (cont'd.)

	Note	2013 Carrying amount RM'000	2013 Fair value RM'000	2012 Carrying amount RM'000	2012 Fair value RM'000
Company					
Financial assets					
Other investments (non-current)					
- Unquoted shares, at cost	13	**23,850**	*****	-	-
Financial liabilities					
Long term borrowings					
- Fixed rate Sukuk	22	**739,770**	**699,986**	799,595	795,409
Financial guarantees	25	**-**	**-**	501	582
		739,770	**699,986**	800,096	795,991

* <u>Other investments (unquoted shares) carried at cost (Note 13)</u>

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments mainly represent ordinary shares in companies that are not quoted on any market. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

44. FAIR VALUE DISCLOSURES (CONT'D.)

(ii) Financial instruments carried at fair value

	2013 RM'000	2012 RM'000
Financial assets:		
Group		
Quoted investment in cash funds	**2,331,470**	489,881
Quoted shares outside Malaysia	**12,604**	39,292
Quoted investment in mutual funds	**1,000**	1,000
Forward currency contracts	**3,030**	1,408
Embedded derivatives	**-**	1,462
Interest rate swaps	**111**	-
Cross currency interest rate swaps	**4,462**	64,620
Company		
Quoted investment in cash funds	**1,029,249**	21,621
Cross currency interest rate swaps	**-**	64,620
Financial liabilities:		
Group		
Forward currency contracts	**14,607**	7,238
Embedded derivatives	**10,512**	-
Interest rate swaps	**7,476**	14,340
Cross currency swaps	**8,255**	498
Cross currency interest rate swaps	**53,906**	2,259
Floating rate borrowings	**1,050,144**	1,095,940
Company		
Forward currency contracts	**14,501**	-
Interest rate swaps	**5,487**	10,442
Cross currency interest rate swaps	**53,906**	290

NOTES TO THE FINANCIAL STATEMENTS
(For the year ended 31 December 2013) (Cont'd.)

44. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value hierarchy

The following provides the fair value measurement hierarchy of the Group's assets and liabilities.

The different levels have been defined as follows:

(a) Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(b) Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(c) Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value of land has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

	Level	Note	Fair value 2013 RM'000
Assets measured at fair value:			
Group			
Quoted investment in cash funds	1	13	**2,331,470**
Quoted shares outside Malaysia	1	13	**12,604**
Quoted investment in mutual funds	1	13	**1,000**
Forward currency contracts	2	14	**3,030**
Interest rate swaps	2	14	**111**
Cross currency interest rate swaps	2	14	**4,462**
Company			
Quoted investment in cash funds	1	13	**1,029,249**
Assets for which fair values are disclosed:			
Group			
Quoted shares in an associate outside Malaysia	1	11	**41,088**
Finance lease receivables	2	16	**20,781**
Investment properties	3	5	**60,609**

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

44. FAIR VALUE DISCLOSURES (CONT'D.)

Fair value hierarchy (cont'd.)

	Level	Note	Fair value 2013 RM'000
Liabilities measured at fair value:			
Group			
Forward currency contracts	2	14	**14,607**
Embedded derivatives	2	14	**10,512**
Interest rate swaps	2	14	**7,476**
Cross currency swaps	2	14	**8,255**
Cross currency interest rate swaps	2	14	**53,906**
Company			
Forward currency contracts	2	14	**14,501**
Interest rate swaps	2	14	**5,487**
Cross currency interest rate swaps	2	14	**53,906**
Liabilities for which fair values are disclosed:			
Group			
Finance lease payables	2	23	**2,053**
Long term borrowings			
- Fixed rate borrowings	2	22	**3,920**
- Fixed rate Sukuk	2	22	**699,986**
Financial guarantees	3	25	**4,793**
Company			
Long term borrowings			
- Fixed rate Sukuk	2	22	**699,986**

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There has been no transfers between Level 1 and Level 2 fair values during the financial year (2012: No transfer in either direction).

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

45. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating to enjoy the best terms of borrowing and healthy capital ratios in its subsidiaries to support business and maximise shareholders' value.

The Group's dividend policy is for all its subsidiary companies to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits.

For the purpose of maintaining a strong credit rating, the Group endeavours to keep its debt to equity ratio at around 50%.

	Group		Company	
	2013	2012 (restated)	2013	2012
	RM'000	RM'000	RM'000	RM'000
Short term borrowings	**1,464,325**	1,073,674	**-**	-
Long term borrowings	**1,524,177**	1,633,939	**739,770**	799,595
Total borrowings	**2,988,502**	2,707,613	**739,770**	799,595
Total equity	**8,932,532**	6,298,416	**2,064,430**	1,576,383
Gearing ratio	**33%**	43%	**36%**	51%

46. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group. The financial risk management practices are part of the Group's Enterprise Risk Management Framework.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

The Board of Directors has established a risk management framework for subsidiaries within the Group. The Group's risk governance structure comprises the following:

(i) The Investment and Risk Management Committee at the Board level

(ii) The Risk Management Committee at corporate management level

(iii) Risk Management Unit at the respective operating units

Responsibilities of the Investment and Risk Management Committee include:

(i) to monitor the role, effectiveness and efficiency of the Risk Management Committee and Risk Management Units at operating units;

(ii) to review the risk profile of the UMW Group and risk mitigation action plans; and

(iii) to review the risk management policies, procedures and measurement methodologies of the UMW Group and to effect changes thereto, if deemed necessary.

The Risk Management Committee comprises members of the Management Committee. This Committee identifies and assesses risks, and makes recommendations on risk management to the Investment and Risk Management Committee.

Financial risk management objectives of UMW Group are as follows:

(i) to minimise exposure to all financial risks including foreign currency exchange, interest, credit and liquidity risks;

(ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and

(iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

(i) derivatives to hedge its exposure to currency, interest and cash flow risks. However, use of derivatives for speculation is specifically prohibited;

(ii) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably credit-worthy customers are accepted; and

(iii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

The Group's strategies and practices in dealing with its major financial risks are set out below:

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. These foreign exchange risk exposures are mainly in US Dollar, Japanese Yen, Australian Dollar and Indian Rupee.

Approximately 7% (2012: 5%) of the Group's trade receivables are denominated in foreign currencies whilst almost 37% (2012: 33%) of trade payables are denominated in the respective functional currencies of the Group entities.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM156,348,000 (2012: RM155,420,000) and RM37,212,000 (2012: RM57,838,000) for the Group and the Company respectively.

Material foreign currency exposures are hedged via forward exchange contracts, cross currency swaps and foreign currency options by using foreign exchange facilities maintained with leading banks in Malaysia and overseas. The forward exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

At 31 December 2013, the Group hedged currency exposures on its individual transactions in excess of RM100,000 of its foreign currency denominated sales and purchases for which firm commitments existed at the reporting date, extending to April 2014.

The table below demonstrates the sensitivity of the Group's profit after tax as at year end to a possible reasonable change in the US Dollar, Japanese Yen, Australian Dollar and Euro exchange rates against Ringgit Malaysia with all other variables held constant:

		2013 RM'000	2012 RM'000
		Effect on profit after tax	
US Dollar	+ 10%	**(5,865)**	(3,418)
	- 10%	**5,865**	3,418
Japanese Yen	+ 10%	**(1,617)**	4,332
	- 10%	**1,617**	(4,332)
Australian Dollar	+ 20%	**(1,653)**	(7,048)
	- 20%	**1,653**	7,048
Euro	+ 10%	**(5,775)**	(880)
	- 10%	**5,775**	880

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of their placements with financial institutions, bank borrowings at floating rates and loans at floating rates given to related parties. Its policy is to:

(i) have an optimal mixture of short term deposits or placements; and
(ii) manage its interest cost using a combination of fixed and floating rate debts. Material interest rate exposures are hedged via interest rate swaps.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's profit after tax, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings:

		2013 RM'000	2012 RM'000
		Effect on profit after tax	
Ringgit Malaysia	+ 50	**(634)**	(447)
	- 50	**634**	447
US Dollar	+ 50	**(2,150)**	(6,209)
	- 50	**2,150**	6,209

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparts default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

Credit risk is managed through the application of the UMW Group Credit Granting Guidelines. These Guidelines outline the credit granting criteria and approval procedures as endorsed by the Board. A credit committee performs on-going monitoring on compliance and ensures that these authorisation policies and procedures are consistent with business requirements.

Due to its diverse customer base, the Group does not have significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial institution.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations when due, as a result of shortage of funds arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's policy to:

(i) have the right mixture of liquid assets in its portfolio;
(ii) maintain a healthy gearing ratio;
(iii) finance long term assets with long term loans; and
(iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2013				
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Group					
Financial liabilities:					
Trade and other payables	2,070,122	-	-	-	2,070,122
Derivatives:					
- Forward contracts (gross payments)	106	-	14,501	-	14,607
- Embedded derivatives	10,512	-	-	-	10,512
- Interest rate swaps (settled net)	77	1,308	6,091	-	7,476
- Cross currency swaps	6,392	-	1,863	-	8,255
- Cross currency interest rate swaps	-	6,739	47,167	-	53,906
Loans and borrowings	1,464,325	830,123	797,757	8,592	3,100,797
Total undiscounted financial liabilities	3,551,534	838,170	867,379	8,592	5,265,675

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

	2013				
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Company					
Financial liabilities:					
Trade and other payables	13,384	-	-	-	13,384
Derivatives:					
- Forward currency contracts	-	-	14,501	-	14,501
- Interest rate swaps	-	926	4,561	-	5,487
- Cross currency interest rate swaps	-	6,739	47,167	-	53,906
Loans and borrowings	-	113,881	652,225	-	766,106
Total undiscounted financial liabilities	13,384	121,546	718,454	-	853,384

	2012 (restated)				
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Group					
Financial liabilities:					
Trade and other payables	2,041,872	-	-	-	2,041,872
Derivatives:					
- Forward contracts (gross payments)	7,046	-	192	-	7,238
- Interest rate swaps (settled net)	-	10,070	4,270	-	14,340
- Cross currency interest rate swaps	-	1,969	290	-	2,259
- Cross currency swaps	-	-	498	-	498
Loans and borrowings	1,073,674	950,767	809,442	58,639	2,892,522
Total undiscounted financial liabilities	3,122,592	962,806	814,692	58,639	4,958,729

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

	2012				
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Company					
Financial liabilities:					
Trade and other payables	6,946	-	-	-	6,946
Derivatives:					
- Interest rate swaps	-	9,442	1,000	-	10,442
- Cross currency interest rate swaps	-	-	290	-	290
Loans and borrowings	-	522,558	311,664	-	834,222
Total undiscounted financial liabilities	6,946	532,000	312,954	-	851,900

There have been no material changes to the Group's and Company's exposure to the above financial risks or the manner in which it manages and measures the risks for the financial year ended 31 December 2013.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market price (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in cash funds and they are quoted in the market.

Sensitivity analysis for market price risk

At the reporting date, if the market price of cash funds and mutual funds had been 5% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM116,623,500 (2012: RM24,539,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments.

NOTES TO THE FINANCIAL STATEMENTS

(For the year ended 31 December 2013) (Cont'd.)

47. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company as at 31 December 2013 and 31 December 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	2013		**2012 (restated)**	
	Group RM'000	**Company RM'000**	**Group RM'000**	**Company RM'000**
Total retained profits of the Company and its subsidiaries:				
- Realised	**3,832,016**	**696,820**	2,488,974	177,094
- Unrealised	**(59,699)**	**(11,019)**	(26,203)	20,660
	3,772,317	**685,801**	2,462,771	197,754
Total share of retained profits/(accumulated losses) from associate companies:				
- Realised	**1,215,251**	**-**	1,188,876	-
- Unrealised	**(24,058)**	**-**	(22,990)	-
Total share of accumulated losses from joint ventures:				
- Realised	**(168,483)**	**-**	(157,266)	-
- Unrealised	**(8,685)**	**-**	2,636	-
	4,786,342	**685,801**	3,474,027	197,754
Add: Consolidation adjustments	**98,337**	**-**	37,057	-
Total retained profits	**4,884,679**	**685,801**	3,511,084	197,754

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UMW HOLDINGS BERHAD (090278-P)
(Incorporated in Malaysia)
3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate,
40200 Shah Alam, Selangor Darul Ehsan, Malaysia.

FORM OF PROXY

I/We,______________________________being a member/members of UMW Holdings Berhad, hereby appoint______________________________
of______________________________
or failing him,______________________________
of______________________________
as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at the UMW Auditorium, UMW Holdings Berhad, No. 3, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, on Thursday, 19 June 2014 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces provided how you wish your vote to be cast. If you do not do so, your proxy will vote or abstain from voting at his/her discretion.

My/Our proxy is to vote as indicated below -

RESOLUTIONS			FOR	AGAINST
ORDINARY BUSINESS				
Re-election of Directors retiring pursuant to Article 109 of the Articles of Association: (a) Rohaya binti Mohammad Yusof (b) Tan Sri Hasmah binti Abdullah	 - -	 Ordinary Resolution 1 Ordinary Resolution 2		
Re-election of Directors retiring pursuant to Article 123 of the Articles of Association: (a) Dr. Leong Chik Weng (b) Dato' Mohd. Nizam bin Zainordin	 - -	 Ordinary Resolution 3 Ordinary Resolution 4		
Approval of Directors' Fees	-	Ordinary Resolution 5		
Re-appointment of Auditors and authorising Directors to fix their remuneration	-	Ordinary Resolution 6		
SPECIAL BUSINESS				
Re-appointment of Tan Sri Asmat bin Kamaludin retiring pursuant to Section 129(6) of the Companies Act, 1965	-	Ordinary Resolution 7		
Proposed renewal of shareholders' mandate for recurrent related party transactions.	-	Ordinary Resolution 8		

Signed this day of 2014

Number of Shares Held	CDS Account No.	Tel. No./Handphone No.

For appointment of two (2) proxies, please state number of shares and percentage of shareholding to be represented by each proxy		
	No. of shares	Percentage
Proxy 1		
Proxy 2		

____
Signature of Member(s)/Common Seal

Notes

(i) *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*

(ii) *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

(iii) *A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(iv) *The proxy form must be signed by the appointer or his attorney duly authorised in writing or in the case of a corporation, executed under its common seal or attorney duly authorised in that behalf.*

(v) *All proxy forms must be deposited at the Registered Office of the Company at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

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stamp

UMW HOLDINGS BERHAD (090278-P)
No. 10, Jalan Utas (15/7),
P.O. Box 7052, 40915 Shah Alam,
Selangor Darul Ehsan, Malaysia.

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UMW HOLDINGS BERHAD (090278-P)
No. 10, Jalan Utas (15/7),
P.O. Box 7052, 40915 Shah Alam,
Selangor Darul Ehsan, Malaysia.
(+603) 5163 5000 www.umw.com.my